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THE MANAGEMENT OF LABOR

I

In answer to the universal question being asked by employers, "How can labor be made more efficient and more contented?" it would be an easy matter to analyze traditional practices in the handling of labor, to point out their defects, and to outline a comprehensive program of numerous specific modifications designed to eliminate the most glaring defects. Such a course of action would involve a survey of all jobs in the plant with the view of eliminating in so far as possible all disagreeable and fatiguing conditions; re-rating of jobs in accordance with skill, agreeableness of work, and responsibility; careful job analyses to determine the qualifications needed to fill each job; careful hiring of workmen by specialists in order to obtain men especially qualified for each job; careful instruction and follow-up of new men, transfer of those proving to be misfits, maintenance of individual efficiency records, and systematic promotion of men in accordance with merit; careful training of foremen in methods of handling men; creation of a real opportunity for men to present their grievances, preferably to a committee composed entirely of workers or perhaps of representatives of the management and workers; abandonment of the piece-rate cutting system; and many other specific reforms.

Desirable and important as are many of these, does a program of specific reforms in managerial practices, even though it may be comprehensive, go to the heart of the problem of labor administration? Is the problem of the reform of the management of labor simply a problem of eliminating certain practices in the handling of men which are productive of inefficiency or discontent and substituting other specific practices which foster efficiency and good will?

The need for reform in the administration of labor, even viewed as we are viewing it, from the point of view of employers, it should be noted, was not created by the recent extraordinary labor situation. It existed for decades before the war. For years the fundamental labor policies of employers had been at variance with their self-interest, although employers as a whole remained oblivious to the conflict, even after the "scientific managers" had called attention to the situation in most emphatic and convincing terms. It was within five years of the outbreak of the war that the movement to reform labor administration became widespread, and the war itself, with its scarcity of labor, its abolition of labor docility, and its high labor costs, was required to force on the attention of employers in general the serious shortcomings in their customary methods of handling men.[1]

The pursuit by employers for years of labor policies so distinctly at variance with their interests indicates that there is

[1] A summary of the principal characteristics of the traditional methods of handling labor illustrates the sharp conflict between these methods and the interest of the enterprises. The traditional management of labor had two principal characteristics: crudity and reliance upon drive methods as a means of increasing output. Its crudity is illustrated by disregard of obvious fundamentals of labor efficiency, such as:

1. The fact that different jobs require different qualifications and that different men have different qualifications, and therefore each man must be carefully selected with reference to the job for which he is hired.

2. The fact that the quantity which can be produced depends upon the methods which are used and that the ordinary worker is incapable of determining the best and easiest method.

3. The fact that output may be greatly increased if the workers, instead of being left to train themselves or to be trained by non-experts, are given systematic instruction by experts.

4. The effect of physical conditions of work—light, heat, and air—upon working

more to the problem of the administration of labor than the mere correction of specific defects in prevailing methods of handling men. Why did the employers fail to adapt their labor policies to the obvious interests of their enterprises? Granting that by reforms, methods of labor administration can be made to correspond closely with what is now employers' self-interest, what assurance is there that, as new situations arise requiring modifications of or additions to policies, the causes which led employers to disregard their true interests in the past will not prevent adjustment of labor policies to the new situations? The fundamental problem in the reform of labor administration from the employers' standpoint seems to be the provision of means by which employers will be kept informed of what their true interests in regard to labor are and by which their labor policies will be kept constantly adjusted to their real interests.

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capacity; and particularly the disregard of the fatigue factor and failure to study it and to take measures to reduce it.

5. The fact that prospect of advancement on the basis of merit along a definite and clearly perceived road is an incentive.

6. The fact that aggrieved men tend to withhold their best, and that a drive policy is not powerful enough to prevent them from withholding it.

7. The fact that workers are capable of contributing numerous valuable ideas for improvement of processes and product, and will do so if properly approached.

8. The fact that men can be induced to respond to liberal and considerate treatment by giving better service, instead of simply taking advantage of it.

The traditional method of making workers more productive was to push and drive them, to demand more of them, put pressure on them, rather than to assist them to develop their proficiency and to reward them for putting forth their best effort. The threat of discharge, the pace-setter, the cut piece-rate, bonuses to foremen and gang bosses based on the output of their men, were the typical instruments of this system of management.

In some instances, especially in sweated industries and in industries where immigrants, women, or children were largely employed, the drive system succeeded in greatly speeding up production. Taking the country as a whole, however, the effect of the drive system seems to have been the opposite of what was intended, for it was largely responsible for a tacit conspiracy among workers to restrict output. This deliberate restriction of output, which was largely a result of the piece-rate cutting policy, was almost universal, and resulted in the output of most shops being far below what the workmen could easily accomplish.

Not only did the drive system of management result on the whole in limitation rather than in increase of output, but it was a most potent cause of antagonism between workers and management. The basic principal of the system, that the workers could be coerced into giving the largest output of which they were capable without

II

The failure of managements to perceive the conflict between their methods of handling men and their self-interest was due to their failure to give careful attention to the subject of labor administration, which in turn was due to the concentration of responsibility for formulating and executing labor policies in executives who also were in charge of manufacturing operations and responsible for output and costs. The remedy, therefore, would appear to be the addition of a general officer of high rank whose sole responsibility is the formulation and the supervision of the execution of the labor policies of the enterprise. The principal reasons for the addition of such a specialist are:

1. Adequate attention is not likely to be given to problems of labor management when their administration is in charge of the factory manager or production manager because the problems of labor administration cannot ordinarily compete with the problems of production for the attention and interest of the executive. In the first place, it is a peculiarity of the problems of production that they are problems of immediate importance which cannot be postponed. Production schedules must be arranged and

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a corresponding increase in their pay, was, of course, naturally calculated to produce trouble. But the effect of the drive system went farther. The successful operation of the system required that the workmen submit to being driven. In applying the drive system, therefore, the management was compelled to seek to create a docile and submissive attitude on the part of the workers. This could be done only by overawing and cowing them, causing them to feel a sense of weakness and dependence, and, above all, by causing them to fear the management. The management, therefore, deliberately pursued a policy designed to cause its men to fear it. It maintained as a matter of policy a brusque, more or less harsh, distant, and stern attitude toward the men. To be lenient or friendly or considerate, to give ear to complaints or to redress grievances, was regarded as "pampering" them. To indulge in this would ruin discipline, cause the men to think they had rights which they did not have, or cause them to think that the management was weak and could be bluffed or "worked." The result would be to foster discontent, to stimulate arrogant demands, to create trouble instead of good will. Above all, the men must be made to feel that the management was strong and powerful, determined to have its way and not to be trifled with. The greater the fear of itself which the management produced by the drive policy, the greater the ill will it created against itself. Although the drive system failed to develop a high degree of efficiency, it laid the foundation of industrial unrest broad and deep.

maintained. Unforeseen impediments, delays, and problems constantly develop which require immediate attention. The problems of handling men, on the other hand, do not press for such immediate consideration. They can be postponed or neglected without usually producing serious results—immediately. In the second place, defective production arrangements cannot escape notice. They advertise themselves most effectively by a falling-off in output, failure to maintain schedules, and a rise in costs. Defects in the administration of labor, however, have no such effective means of advertising themselves, for as a rule they produce no immediate, sharp, clearly defined effects. Unless someone is carefully scrutinizing methods of labor administration, important defects may exist indefinitely without their presence being suspected. Finally, executives prefer to concentrate their attention upon the improvement of manufacturing processes because such improvements produce more direct, immediate, certain, and definitely recognizable increases in output or reduction in costs for which the executives receive credit. The results of technological changes in manufacturing processes follow directly, immediately, and inevitably as a mere matter of mechanics. It is even possible to forecast with reasonable accuracy what the benefits from a given technological change will be, and when the change is made the benefits attributable to it are definitely ascertainable. Improvements in methods of handling men produce no such direct, certain, immediate, and easily distinguishable effects. Especially is this true of those improvements in labor administration which exert their effect upon output and costs only indirectly through creating better industrial relations. Better industrial relations are created gradually by the men slowly becoming aware of an honest intention to deal with them liberally. The superior efficiency which results from a force of more willing, stable, and skilful workmen cannot be accurately estimated in advance nor even subsequently ascertained, for the numerous mechanical improvements which are constantly being made obliterate the effects of the gradually acquired better industrial relations. Given the choice of pursuing either or both of the forgoing methods of increasing output and

lowering costs, is it to be wondered that the officials prefer the quick, direct, and certain method, with its definitely predictable results, to the slow and roundabout one with its unpredictable and unascertainable results?

2. The preoccupation in the problems of manufacturing processes, technology, and production schedules to the exclusion of adequate attention to labor administration, which occurs when responsibility for the conduct of manufacturing and of labor administration is concentrated in the same official, severely hampers the management in obtaining the good will and loyalty of the workers. If the workmen believe that the management is indifferent to them, that it does not desire their good will nor consider it worth while to cultivate it or that it bears them no good will itself, obviously they will bear the management no good will. In the first place, before they will extend their good will to anyone they must feel that it is wanted, that it will be esteemed and appreciated. In the second place, like men in general they will extend their good will and loyalty only to those who they see bear a similar good will toward them and who take a genuine interest in their welfare. They demand the good will of the management for their own good will; they demand interest on the part of the management in their welfare for their own interest in the welfare of the enterprise; and they repay indifference to their welfare with indifference to the welfare of the enterprise.

When the principal executives in charge of manufacturing are so largely absorbed in technological problems that they give only incidental attention to labor administration, the workmen are unable to feel either that the management desires their good will or that it bears them any substantial good will itself, and they react accordingly. In order to win the good will of the men, an official is needed of sufficient authority and importance to impress his attitude upon the spirit and fundamental policies of the enterprise, whose sole responsibility is the administration of labor, who represents the interest of the enterprise in the good will of its workmen, and one of whose principal functions is to cultivate this good will.

3. A specialist labor administrator is desirable to give stronger representation to the long-run point of view in handling labor. The factory manager and the divisional and departmental heads who are responsible for maintaining production schedules each day and for costs from week to week or month to month are interested primarily in more efficiency *immediately*, rather than a year or two hence. They are therefore under a strong temptation to sacrifice efficiency in the long run for immediate efficiency. To cut piece rates means an immediate saving, although the long-run effects of piece-rate cutting are to kill incentive, limit production, and increase costs. Therefore these officials are inclined to countenance or to engage in piece-rate cutting.[1] Drive methods of handling men result in immediate increases of output, although in the long run these gains are largely offset by the killing of all spontaneous co-operative spirit, by the repelling of the best men from seeking employment at the plant, and by greater labor turnover. These officials therefore are inclined to prefer drive methods to the more roundabout but more desirable incentive methods of stimulating output. To raise wages means an immediate increase in costs, although a high-wage policy in the long run is often the more economical. These officials therefore are disposed to pursue a low-wage instead of a high-wage policy.

The labor administrator is better able to see the long-run connection between the methods of handling labor and the efficiency of the force than is the executive who is struggling each day to get out the production scheduled for that day or to beat his last week's or last month's cost record. More especially is the labor administrator able to do this since these short-sighted policies all hamper him in the maintenance of cordial industrial relations. By representing the long-run as opposed to the short-run point of view the labor administrator tends to be a protector of a valuable capital asset—the good will of the workers—

[1] Piece-rate cutting is still practiced liberally even in factories which claim to cut no rates. When it is desired to cut a rate, the cut is camouflaged by making a slight and inconsequential change in the job and putting an entirely different rate upon it.

against tendencies to dissipate it for immediate but temporary benefits.[1]

Of particular importance is the protection alluded to above, which the labor administrator affords against piece-rate cutting —unquestionably one of the most potent causes of inefficiency in modern industry. The labor administrator opposes arbitrary cutting of piece rates—both the direct cutting and the more dangerous indirect cutting by the subterfuge of changing the job slightly and putting an entirely different rate on it—for cutting rates arouses the enmity of the men and enormously complicates his task of preserving good relations.[2]

If a bonus or premium system prevails, the same temptation, though of less intensity, exists to alter the standard time or the standard task as under the piece-rate system to cut piece rates. The labor administrator has the same opposition to the altering of the standards as he has to piece-rate cutting. If he has a voice in the determination of standards he will tend to prevent arbitrary alteration of them and hence help to preserve the power of the bonus or premium system to stimulate production. Because the labor administrator is naturally hostile to practices the incidental effects of which are to destroy the incentive of workmen to increase production, he should be reckoned one of the strongest influences making for industrial efficiency.

4. Specialization of the management of labor is needed to obtain in the formulation of policies more adequate representation of the interest of the enterprise in good industrial relations.

[1] The pursuit of the short-sighted policies against which the labor administrator acts as protector may be likened to the payment of dividends out of capital. For these short-sighted policies are all pursued only at the expense of the good will of the workers, and this good will is analogous to fixed capital since it yields a return in the form of better co-operation, more willing and careful workers, attraction of a higher grade of workers, greater stability of the force, and freedom from strikes.

[2] In some instances, however, the labor administrator may desire to have a rate cut, as when he feels the high earnings on a certain job are causing other workmen to be dissatisfied with their earnings. The prevention of dissatisfaction of this sort is a reason frequently advanced in defence of rate cutting. It appeals particularly to foremen who are interested in cutting the rate for other reasons. The labor administrator will experience more difficulty than foremen in seeing the necessity for rate cutting to allay the jealousy of other workmen.

The interest of an enterprise is not a simple thing. It is a complex thing, a balance and compromise of particular and partially conflicting interests. The judgment of each executive in regard to the interests of an enterprise is affected by the particular interest of the enterprise which it is his function to promote. Sales manager, purchasing agent, auditor, advertising manager, comptroller, factory manager, production manager, chief engineer, each tends to have a more or less exaggerated idea of the importance of the particular interests of the enterprise which are intrusted to him. The factory manager, who is responsible for output and costs, naturally tests the desirability of policies and practices by their effect upon production and costs. Whatever makes possible an increase in output or a decrease in costs he tends to regard as *ipso facto* desirable, and whatever tends even temporarily to interfere with the maintenance of production schedules, to impede the productive processes, or to increase costs, he tends to regard as *ipso facto* undesirable. And so important do production and costs loom in the mind of the factory manager that he often fails to give due weight to other factors which affect the desirability of managerial policies.

The interest of the enterprise in its industrial relations is not merely subordinate to its interest in production and costs, admissible only in so far as attainable without prejudice to the latter interest. It is a distinct and independent interest, co-ordinate with the enterprise's interest in output and costs, qualifying and limiting it, and warranting within limits the sacrifice of output and costs. The principle of the margin of safety applies to the handling of men as well as to mechanics. Just as an engineer in constructing a machine or a bridge does not build it merely strong enough to do the work or to bear the load intended but incurs an additional cost in order to provide a margin of safety, so in handling men sound policy often requires acceptance of avoidable costs and of avoidable losses in output in order to render good industrial relations *doubly secure*. The good will of the workers is of sufficient importance to the enterprise to justify the maintenance of a liberal margin of safety.

When the determination of labor policies is vested in the factory manager, the principle of the margin of safety as applied to industrial relations is in danger of being inadequately observed. In his zeal to make a good record of output and costs, the factory manager is likely to give inadequate attention to the effect which he is producing upon industrial relations, often straining industrial relations almost to the breaking point to obtain more output or lower costs, instead of observing the wide margin of safety which the importance of good industrial relations renders desirable. The creation of a specialist labor administrator imposes a wholesome check upon the undue sacrifice of the interest of the enterprise in good industrial relations to its interest in lower costs and more output. The labor administrator is, of course, as likely to overestimate the importance of good relations with labor as the factory manager and the production manager are to overestimate the importance of output and costs. He will be counteracted in his extremity by the counsel of the factory and production managers, just as he counteracts the extremities of the factory and the production managers. If the labor administrator is made a sufficiently important official reasonably to hold his own in disagreements with the factory and production managers, the result should be a compromise representing far nearer the real interest of the enterprise than the decisions made solely by the factory manager or the production manager.

5. The maintenance of high standards of practice in handling men requires that the practices of foremen and other minor executives in handling men be under the scrutiny of a high executive who gives these matters his careful attention.

This is simply a specific application of a well-accepted principle of management. By no miracle will high standards of practice in labor administration create themselves. They will be created only by being taught and their observance insisted upon. The minor executives who handle labor, the employment manager, safety engineer, plant physician, welfare manager, head of the instruction department, foremen and gang bosses, will be assiduous, zealous, and painstaking in their work in the degree that they are inspired and stimulated to observe high standards and held

strictly accountable for the methods they use and the results they produce. An executive is needed possessing such familiarity with the best practice in labor administration as to enable him to appreciate what high standards of labor administration in its various branches are, with the enthusiasm and interest in labor administration to enable him to inspire minor executives with a similar enthusiasm, and with sufficient time to enable him to instruct minor executives in the best practices, to keep in close touch with them, and to hold them strictly accountable for their methods of handling men. Such qualifications can be expected only in a specialist.

Doubly strong is the need for central supervision of the methods of foremen and gang bosses in handling men. Foremen and gang bosses are production executives responsible for output and costs to the production manager or factory manager. But although nominally production executives, foremen and gang bosses are personnel executives in the sense that their principal duties consist in handling men. With the development of centralized planning and scheduling they become more and more purely personnel executives. Being constantly pressed for more output and lower costs, they are under a standing temptation to resort to shortsighted methods in order to produce immediate results (despite the fact that these methods in the long run are injurious to efficiency), and they will resort to them in a large proportion of cases unless responsible to an authority as potent as the production manager for their methods of handling men.

6. Specialization of the administration of labor is needed to enable the management of labor to be conducted with a keen realization of the workmen's point of view and an accurate understanding of their psychology. Not only are non-specialist executives, with their minds concentrated on manufacturing processes, output, and costs rather than on the men, and coming into close contact with the men but little, woefully ignorant of the minds of the men, their psychology, and their point of view, and also often little interested in informing themselves of these matters, but the nature of their work builds up in their minds a point of view so different from and even opposed to that of the workmen that even when

they seek to understand the point of view of their men they are frequently unable to do so. Adequate understanding of the psychology and point of view of the men can be expected as a rule only in those who come into contact with the men frequently, who have time and inclination to give special study to the subject, and who are free from ideas and prejudices which render it extremely difficult for them to see things as the workmen see them.

Illustrative of the neglect of psychological factors may be cited:

a) The tendency of managers to regard their men as substantially satisfied, whether they are or not. Managers find difficulty in seeing when their men are dissatisfied, and tend to belittle their dissatisfaction and to underestimate the concessions necessary to allay it. This is illustrated by the surprise with which managers frequently are taken by strikes.[1] They are at a loss to account for the trouble—they frequently fall back on the comfortable assurance that the bulk of the men were satisfied, after all, and that the strike was the work of a few trouble-makers. Before the war the typical manufacturer's interpretation of the whole labor movement seemed to be that it was a movement organized among perfectly contented men by a few professional agitators.

b) The tendency of managers to underrate the intelligence and the qualities of character of the men in the shop. This is illustrated by:

(1) Failure to appreciate the ideas which men are capable of contributing to the improvement of product and manufacturing

[1] To be taken by surprise by a strike of unorganized men spontaneously revolting against poor treatment is not an infrequent occurrence yet seldom does it lead to the dismissal of high officials. In most instances such a strike is indicative either of serious lack of information which it should be the business of the management to possess or of failure of the management to appreciate the significance of facts which it does know. In either case such a strike draws into question the competency of the management and in the absence of extenuating circumstances should subject responsible officials to the same censure or penalties as any other serious fault in management. The tendency has been for business men to regard strikes as something beyond their control, as misfortunes rather than results of faulty management, and the occurrence of spontaneous strikes of the kind mentioned has not brought on managers the stigma and censure which they deserve. When boards of directors hold managers as strictly accountable for strikes as they do for other managerial failures, the administration of labor will take an important step forward.

processes and to develop organized means of encouraging such contributions. Suggestion systems exist in relatively few establishments, and in a large proportion of these are not highly developed or actively pushed, but are more or less moribund, existing in name rather than in fact.

(2) Failure to give adequate consideration to such subtle factors as interest and pride in work. Managers have imagined that interest and pride in work were beyond manual laborers, that they were capable of being interested only in the money in the job. Consequently managers have failed to analyze the factors upon which interest and pride in work depend and (with exceptions conspicuous by their fewness) to pursue policies designed to develop these attitudes.

c) Miscellaneous practices of varying importance exist in most plants, which are indicative of an overlooking of psychological considerations. Illustrative of such practices are:

(1) Compelling deserving men to ask for an increase in pay before giving it to them. When a man must ask for his increase, half its value in promoting good will toward the company is lost. A management which prides itself on its efficiency should be ashamed to compel a deserving man to ask for a raise.

(2) Failure to keep wage-rates properly adjusted between various classes of help, such as old and new men. A shop regarded as unusually progressive in its treatment of labor was recently hiring unskilled laborers at 45 cents and assigning them for instruction in their work to men of several years' experience receiving 40 cents. Similar discrepancies prevailed throughout the force to the intense discontent of the old employees.

(3) Refusal to grant minor liberties during working hours. For example, many workmen, especially foreign-born, wish to take a few minutes about nine or ten o'clock to eat a light lunch. This is permitted in many shops and is greatly appreciated. Other shops, however, will not tolerate it. No output is gained by denying this privilege. Only resentment is created.

(4) The special psychological problem presented by the new man is inadequately appreciated in most establishments. Little

is done to introduce him into the organization, to make him feel at home, to guard him against discouragement during his first days on unfamiliar work, or to assist him to gain confidence that his job neither is as difficult nor has as little money in it as often appears to him during the first few days.

(5) The adoption of a narrow and niggardly attitude by the management in regard to various petty matters is often provocative of far more irritation than their importance warrants.

Many companies penalize a workman who is a minute or two late by fifteen minutes' or half an hour's loss of pay. No objection exists to this, providing the workmen are not expected to work during the time for which they receive no pay. The foreman, however, anxious to get out the work, frequently demands that the late comer start work at once, much to the resentment of the man, who correctly feels that the time for which he is not paid is his own in which to do what he pleases. Often it is necessary for a workman, in order to finish a long machining operation, to work five or ten minutes overtime. For this small amount of overtime he receives no pay. Ordinarily the workman would not object to this, but when he is docked for one or two minutes' lateness, he cannot help wondering why he should not be paid for extra time when he is unable to leave at a regular quitting time. If the company counts single minutes, why not count them for as well as against workmen?

Another petty cause of dissatisfaction is the difficulty often experienced in obtaining permission to lay off for a day or two. In the absence of regular vacations for workers, requests for permission to lay off are entitled to particular consideration, and every effort should be made to grant a reasonable number of such requests. Too often, however, the workman receives the answer, "We cannot spare you." This answer is both unconvincing and irritating because the workman reflects, "When they want to fire you, they have no trouble sparing you, and when you want more money, they tell you to get out if you aren't satisfied." He cannot understand the peculiar difficulty in sparing him which

seems to prevail at the particular times when he wishes a short lay-off.[1]

d) A striking example of the failure to understand workmen's psychology is the incurring of large expenditures for welfare work, while doing little or nothing to improve conditions in the shop, or in methods of handling men. Managers have failed to realize how little an impression is made by all they do for their men out of the shop and off the job compared to what they do to improve conditions in the shop and the treatment of men while on the job. To provide welfare facilities for the men when off the job, while neglecting to see that they receive better pay, treatment, and conditions while on the job, merely arouses their contempt at the clumsiness of the efforts to purchase their good will cheaply.

7. Specialization of the management of labor is needed to reduce the prejudices on the part of the management in dealing with questions of labor policy. Employers have been severely handicapped in handling labor by fixed ideas which have blinded them to their interests and caused them to take stands which gained them nothing but the ill will of their men. Numerous examples of such prejudices can be cited. The philosophy of the drive policy, that the only way to get much out of labor was to "treat it rough," is an example. A corollary of this, that attempts to obtain the good will and co-operation of labor by liberal treatment are futile since labor will simply take advantage of liberal treatment rather than respond to it, is another example. The well-nigh universal rule that in a dispute between a workman and foreman the foreman must be upheld, right or wrong, in order to maintain discipline has caused much friction and discontent. Experience proves that this practice, which makes a farce of the appeal to the manager or the president which exists in theory in most plants, is by no means essential, that adroit handling of disputes will render it possible both to do justice and to save the face of the foreman.

[1] The fear of being refused a lay-off causes most workmen to remain away without requesting a lay-off, giving on return the excuse that they were sick. Thus the absence is not prevented and the management has no notice that it is to occur. By giving assurance that lay-offs will be granted liberally within reasonable limits the management should be able to obtain notice in a large percentage of cases.

Probably the most outstanding example of a prejudice which has caused great friction is the opposition to the eight-hour day. Abundant experience shows that, instead of a loss in output being inevitable under the shorter day, it is highly problematical in a given case what the effect will be; but that even if a decrease in output occurs, it is far from proportional to the decrease in working time. The conclusion is unescapable that the interest of employers in the question of the eight-hour day is far less than they have supposed, and that it is too small to compensate them for the ill will which they arouse by stubborn opposition to the shorter day against a deep-seated demand for it.

Specialization of the management of labor is of course no guarantee that the administration of labor will be controlled by carefully determined self-interest, but the specialist administrator is less likely than a non-specialist to be guided by traditional attitudes. Non-specialists lacking time and inclination to investigate problems of labor policy naturally fall back on traditional points of view. The specialist has both the time and the interest to investigate, and being charged with the specific function of maintaining high standards of labor administration, feels a peculiar sense of responsibility for the methods he uses and the policies he pursues. Study of the problems of labor administration constantly reveals to him their complexity and the danger of being guided by dogmatic conclusions.

8. Success in getting problems solved depends largely upon the energy and persistence with which they are attacked. Solutions of extremely difficult problems are obtained as a rule only by some one's demanding that a solution be found in spite of the apparent impossibility, insisting in the face of seemingly insurmountable obstacles that there must be a way of overcoming the difficulties, and causing the problem to be studied until a solution is found. There can be no reliance that the exceptionally difficult problems of labor administration will be attacked in this manner as long as the executive responsible for labor administration is a non-specialist whose interest in labor administration is quite secondary. The preoccupation of the non-specialist with other problems causes him readily to accept the exceptionally difficult

problems of labor administration as unsolvable, instead of insisting more emphatically than ever that they must be solved. To obtain the intensity of interest in labor administration which insists that solutions be found despite difficulties, which attacks the most difficult problems the more vigorously because they are difficult, the administration of labor must be concentrated under a specialist.[1]

9. Efficient administration of labor requires possession of specialized knowledge and command of a specialized technique. The handling of men is not, as is sometimes supposed, simply a matter of personality and of ability to understand human nature. Many problems in labor administration require, not merely sound intuition or instinct in dealing with men, but ability to solve problems of a more or less technical nature. This renders desirable a knowledge of practices and policies which have been successful in solving the same problems elsewhere. A considerable fund of experience has been accumulated concerning methods of dealing with many problems of labor administration. This fund is rapidly being enlarged. As few general rules and principles have as yet been drawn from this experience, it is premature to speak of an established technique of labor administration, but familiarity with the accumulated experience is of the utmost value. The fund of experience on the various phases of labor administration is so large and growing so rapidly that only a specialist can hope to be familiar with it.[2]

[1] An illustration of problems of labor administration which are likely to require persistent attack before solutions are found comes readily to mind. An important function of the labor administration is to make an intensive survey of all operations in the plant in order to discover every disagreeable or fatiguing feature and to work out ways of eliminating or minimizing them. In many jobs the way of eliminating or mitigating fatiguing or disagreeable features will not be clear. These features will appear to be an inseparable part of the work, unavoidable if the job is to be done at all. The prospect of mitigating or eliminating them will appear so hopeless as to deter prolonged efforts to find a way. It is precisely in such cases that unyielding insistence is needed that the problem be not given up and the experts be given no rest until they find a solution.

[2] Among the phases of labor administration concerning which a considerable accumulation of technical information exists are: methods of getting in touch with good prospective employees, of sizing up applicants for employment, of introducing new men into the organization, of training men (shop schools), of reducing absenteeism,

It may be objected that the detailed technical information can be supplied by the various specialists in immediate charge of each branch of labor administration, such as the employment manager, plant physician, safety engineer, head of the shop school, or welfare manager. These various minor officials in charge of specific phases of labor administration, however, must be responsible to a higher official.[1] To enable this superior official accurately to appraise the work of the subordinate officials and to equip him to offer suggestions and criticisms he should be familiar with the technique of labor administration and with the practices of other plants.

The subordinate specialists in charge of specific phases of labor administration cannot all be expected to be of strictly first-class executive ability. Though suitable for *executing* policies, they may not be suitable for *determining* fundamental labor policies. They are likely to lack the requisite shrewdness of judgment and boldness and originality of imagination, to be too timid in their conceptions of what the labor administration can hope to accomplish and therefore of what it should endeavor to accomplish, and to be dominated by tradition and prejudices. In the field of labor administration particularly, where traditional prejudices are strong and firmly established, is some one with bold and original imagination and willingness to break with the past needed to formulate policies.

10. Although the essential thing in winning the confidence and co-operation of a force is a liberal labor policy, the personality and character of the executive who handles labor is an important factor. The handling of grievances, one of the most important and most delicate tasks of the labor administrator, illustrates the need in the labor administrator for highly specialized qualities of personality. Among these are insight into other men's points of view,

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of promoting health, safety, and thrift, the use and value of a medical department, apprenticeship training, methods of training foremen, wage-payment systems, employees' suggestion systems, employees' benefit associations, profit-sharing, shop committees, the value of and methods of conducting various forms of welfare work, methods and value of getting in touch with the homes of the workers, methods of promoting better housing, methods of teaching English to foreigners and of promoting Americanization of foreigners, and many others.

[1] For a discussion of the need of this supervision see under point 5 above.

ability to put one's self in another's place, even in an opponent's place, ability to win the confidence of other men, particularly the complainant, who is likely to regard all representatives of the management as prejudiced against him and hostile to him and as intending to deceive him rather than to give him fair treatment, ability to draw frank statements from timid or hostile witnesses, and, most difficult of all, ability to convey to the complainant the point of view of the management, to make him see the management's side, and to convince a complainant who is in the wrong that he is wrong and that his complaint is not being arbitrarily decided when it is decided against him.

11. Specialization of labor administration is needed to bring into the highest councils of the management more thorough knowledge of and stronger interest in the more fundamental though less immediately practical aspects of the labor problem. The typical manager of a non-union enterprise is inadequately informed in regard to the labor movement, its practices, policies, ambitions, philosophies, strength, prospects, tendencies of change within it, and the reasons lying behind these specific phases of the movement. He is hampered in obtaining information by publications of employers' and manufacturers' associations and speeches of their officers and attorneys, which too often foster intolerance and prejudice rather than spread information. Even though knowledge of the matters alluded to above be unnecessary in the daily conduct of the business, it cannot be regarded as a healthy situation from the standpoint of either the public or employers when the men who exercise such powerful influence over the lives of thousands are so scantily informed of affairs in the class upon which their actions exert such profound effects.

12. Specialization of management of labor means in time the creation of a body of professional labor administrators. This means the creation of a professional spirit, professional ideals, and professional standards of conduct. This professional spirit and these professional standards may be expected to exert a liberalizing influence upon the standards of labor administration. The profession will desire to stand well before the public, to make its name one of honor and prestige, to make labor administration an esteemed

calling. To do so the profession must stand for ideals which find favor with the public, liberal ideals, ideals of public as well as private service. These ideals of the profession, like those of older professions, will not exert a radical influence upon the membership, but their tendency will be liberalizing. Nor will the public or the workers be the only beneficiaries of this liberalizing influence. The danger in labor administration is not that the treatment of labor will be *more* liberal than the interests of employers warrant, but that it will be *less* so. The liberalizing influence of professional ideals and standards, therefore, is likely to cause labor administrative practices to conform more, rather than less, nearly to the true interests of employers.

III

The type of labor administrator assumed in the discussion above differs radically from the heads of most existing labor departments (known variously as employment managers, directors of personnel, labor managers, service managers, supervisors of industrial relations, etc.). The authority of the head of the typical labor department is confined to employment, welfare work, safety, sanitation, and medical work. Under employment may be included power to lay off, discharge, promote, transfer, and grant raises to individual workmen. In regard to those matters which most intimately affect industrial relations, wages, handling of men by foremen, hours, grievances, and discipline, the head of the labor department has little or no authority. The wage scale and the wage policy, whether a high- or low-wage policy, are determined by the factory manager, the general manager, or the president, or sometimes by the board of directors. The head of the labor department may be consulted, but if so, he usually is merely a subordinate adviser to the high officials who do the real deciding.[1]

[1] The lack of influence of labor managers upon wage policies is reflected in the fact that few establishments possessing labor departments have much more of a wage policy, in so far as the wage level is concerned, than to maintain a scale roughly approximating the prevailing rates in the community. Refinements of this crude policy, such as paying rates distinctly above the market for common labor and boys and from the superior type of labor thus obtained developing the more skilled classes of help, periodically readjusting wage-scales in accordance with the indexes of the cost of living, standardizing wage-rates in accordance with the nature of the work,

The choice of the wage-payment system for various types of work, whether piece work, gang piece work, time work, or bonus, and, if bonus, the methods of computing the bonus and the percentage of earnings paid for various degrees of efficiency, matters most intimately affecting industrial relations, are usually decided by the factory manager, the production manager, or the foremen. The setting of piece rates or the determination of the standard time or the standard task is under the control of the foremen or of specialist time-study men who have no direct responsibility for industrial relations.

Next to wages, the treatment of workmen by foremen and gang bosses probably most intimately affects industrial relations. Although the labor department adjusts differences between foremen and workmen and calls the attention of foremen to practices which increase their labor turnover, only in rare instances does the typical labor department possess real control over the practices of foremen in handling men.

Working hours are a matter of custom and are regarded as more or less permanent and beyond the sphere of the labor department. Overtime work, a matter intimately affecting industrial relations, is governed solely by the necessities of production and is under the control of the production department.

Finally, the head of the typical labor department lacks adequate authority over discipline and grievances. Discipline, with the exception in some cases of the right to discharge, rests with the foreman. Complaints which workmen bring to him the head of the labor department often takes up with the foreman informally, but he usually lacks authority (except in cases of discharge) to overrule the decision of the foreman or to require foremen to pursue courses of action which will prevent repetition of the complaint.

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providing for systematic increases on account of merit or duration of service, have been adopted by only a few enterprises.

The head of the labor department often has authority to raise the wages of individuals as a reward for efficiency but in so doing he is expected to make no radical departures from the wage-scale of the plant.

Influenced by experience in obtaining and holding help, the head of the labor department often takes the initiative in recommending general changes in the wage-scale. In doing this he is simply advising changes in the rates rather than initiating a change in the wage policy.

If the labor administrator is to be responsible for industrial relations and the efficiency of the force, he must have a real voice in all decisions which intimately influence industrial relations and the efficiency of the force. *Authority must be commensurate with responsibility.* Particularly must the labor administrator not lack a voice or have only a subordinate one in precisely those matters which most of all affect industrial relations and the efficiency of the force. The wage-scale of the plant should be determined primarily by the labor administrator, subject to the concurrence of the chief financial executive and the general manager. The choice of the wage-payment system, the decision between day work, piece work, and bonus, should be made jointly by the labor administrator and officials of the production department. The consent of the labor administrator should be required to give validity to any piece rate, standard task, or standard time, or to any change in any rate or standard time or task. He should have authority to have new time studies made when he considers a piece rate, a standard time, or a standard task unjust.

Hours of work should be recognized as of peculiar concern to the labor administrator. He should have the duty of suggesting changes in the hours at any time. Production executives should have no authority to order extensive overtime, Sunday, or holiday work without the concurrence of the labor administrator.

The labor administrator should have an equal voice with the factory manager in the selection of foremen and should supervise their training in methods of handling men, and the foremen should be responsible to him for their methods of handling men. A recently adopted practice in the control of foremen is periodically to rate them on the principal qualities of character and ability which their work requires.[1] The labor administrator should participate with the production manager and division superintendents in determining the ratings of the foremen in respect to qualities of personality and ability to handle men.

[1] A middle western manufacturer rates foremen quarterly on decision, initiative, foresight, concentration, exercise of authority, adaptability, dress, appearance, dignity, personality, tact, co-operation, positive disposition, self-control, energy, salesmanship, progressiveness, loyalty, amenability to discipline.

Finally, the labor administrator should be responsible for discipline and the handling of grievances. His approval should be necessary to put into effect any disciplinary action. Workmen should have the right to present grievances to him, and, where manufacturing arrangements or production schedules are not involved, his decision, subject to the right of the worker to appeal, should be final. In cases involving production policies or methods it should be the duty of the labor administrator after hearing the complaint to take it up with the other interested executives and with them to reach a decision.

More important than the variety of matters in which the labor administrator has a voice are his rank and influence in the organization. The labor administrator should equal in rank at least the production manager and preferably the general manager, having the title vice-president in charge of labor, the general manager being vice-president in charge of manufacturing. The principal reasons for the labor administrator's possessing high rank are:

1. High rank and corresponding authority and prestige are needed in order to obtain in him freedom from the domination of traditional points of view in regard to labor policies. Especially important is such freedom in bringing about adequate appreciation by the labor administrator of the interest of the enterprise in good industrial relations. The customary test applied by managers in judging the desirability of policies has been their definite, direct, and immediate effects upon output and costs. So firmly established is this test that men of unusual breadth of vision and independence are required in order adequately to appreciate those interests of the enterprise, the importance of which is not measured by direct and definite effects on output and costs. Industrial relations are one of those interests, for not only are good industrial relations important to the enterprise, quite independently of their effects upon output and costs, but the important effects which good or bad industrial relations do exert upon output and costs, instead of being direct, immediate, and definitely predictable, are largely indirect, remote, and impossible to predict or subsequently to ascertain with precision. The independence and vision needed by the labor administrator can be obtained only in men

of large caliber who can be attracted only by a position of high rank.

2. A labor administrator of high rank can be better relied upon to preserve and express his independent point of view, without which his value to the enterprise is largely lost. Subordinates have a tendency to cater to superiors by expressing views (regardless of their own views) which they believe agree with those of their superiors. Especially strong is this temptation likely to be in questions of labor policy concerning which liberal views are still regarded by many executives with distrust. Set down amid executives whose points of view on labor questions have been colored by traditions and prejudices created under the drive system and who imperfectly appreciate the desirability of a liberal labor policy, a labor administrator of secondary rank often may be expected to be timid in standing for labor policies of a distinctly liberal character.

3. To a large degree the labor policy of an enterprise must be determined not solely by the labor administrator but by the labor administrator and the production manager, factory manager, general manager, or president, subject often to the approval of the directors. Such matters as the wage scale, systems of wage payment, hours, overtime, regularization of production, selection of foremen, and alterations in physical conditions in the plant to promote the comfort of the workers, all involve joint decisions by the labor administrator and other high officials. To exert an important influence upon the labor policies of the enterprise, the labor administrator must be able substantially to influence the high officials in co-operation with whom he formulates the policies. To do this he must possess the ability and force obtainable only in highly paid men and the prestige and importance which attach to an official of first rank.

The need for the labor administrator's being an official of high rank in order to exercise a due influence in the formulation of policies is heightened by the fact that he has a peculiarly difficult point of view to present under peculiarly difficult circumstances. To executives interested chiefly in quick results and thinking in definite and easily visualized terms of output and costs, the labor administrator must present convinc[illegible]gly a long-run point of

view, expressed largely in terms of the intangible and indefinite good will of the force, impossible to translate into terms of direct, definite, and immediate influence on output and costs. A subordinate official has little chance of presenting such a point of view with success.

4. A labor administrator of high rank can better win the good will of the workmen toward the enterprise. Although the solicitude of a labor administrator of secondary rank for the interests of the men may dispose them kindly toward him *personally*, their good will will fail to accrue *to the enterprise as such* because they will regard the labor administrator as a mere subordinate whose point of view does not represent the real policy of the management. To win the good will of the men for the enterprise, the labor administrator must not only stand for a liberal labor policy but must be of such importance and influence in the management that the men regard his attitude not merely as his personal attitude but as an expression of the real labor policy of the enterprise itself.

5. The co-operation, confidence, and respect of the foremen and other minor executives can be obtained more successfully by an executive of high rank, great prestige, and corresponding ability.

IV

Two principal dangers threaten the possible usefulness of the labor administrator. One is that in standing for the recognition of the independent interest of the enterprise in good industrial relations, even to the extent of sacrificing output within limits or incurring avoidable costs, and in standing for a liberal labor policy in order to achieve good industrial relations, the labor administrator will be regarded by the management as an impractical "uplifter," as representing no real interest of the enterprise and hence as serving no practical purpose. The result, of course, will be to prevent the labor administrator from exerting a substantial influence upon managerial policy. Even where policies advocated by him are in the interest of the enterprise as tested by the narrow and inadequate test of effect on output and costs, the association of the labor administrator with visionary and impractical ideas is likely to prejudice other operating officials against his policies, especially

if the results promised by the policies are not direct and immediate but indirect and more or less remote. Thus deprived of a substantial influence in formulating fundamental labor policies, the labor administrator degenerates into a mere supervisor of their routine execution.

The second danger is that the labor administrator himself will be so dominated by the narrow point of view that he will fail adequately to appreciate either the significance of the good industrial relations from the standpoint of their effect upon efficiency or the independent importance to the enterprise of good industrial relations aside from their effect upon output or costs. The result will be that the labor administrator will become too intent upon getting more out of the men and too little interested in industrial relations. By this neglect of industrial relations not only will he partially defeat his purpose of getting more out of the men, but in failing to develop the good will of the workers he will fail to make one of the most important contributions to the welfare of the enterprise within his power to make.

Against these two dangers to which the labor administrator is exposed, of becoming on the one hand a nonentity, a supervisor of routine and of welfare work, and on the other hand merely another "efficiency engineer" specializing in "human engineering," there are several protections. One is the protection advocated above of making the position of labor administrator an office of first rank, carrying large authority and high salary with corresponding influence and prestige, and able to attract men of unusual ability, independence, and vision. A second protection is the increasing independence and self-assertiveness of labor. The taste of power and independence which labor as a whole obtained for the first time during the war has in large measure broken the habit of docility which rendered workers relatively easy to handle. Labor's changed attitude causes managers more easily to appreciate the desirability of a liberal labor policy, independently of its effect upon output and costs, and protects labor administrators in advocating such a policy from being regarded as mere "uplifters." Closely related to this second influence is the steadily growing power and influence of organized labor, which is causing managers to

perceive more and more clearly the necessity of a substantially liberal labor policy in order to avoid the organization of their plants.

In conclusion, an answer should be attempted to a question which has undoubtedly arisen in the reader's mind, "To how small an enterprise is the suggested specialization of labor administration applicable?"

Specialization of labor administration is probably applicable to much smaller enterprises than would at first be suspected. In large enterprises the labor administrator is completely occupied by the general supervision of the various phases of the handling of men. In small enterprises, however, he is not completely occupied by general supervision of the various phases of labor administration and hence can assume the direct responsibility for certain branches of the work. Thus in a small enterprise the labor administrator can take immediate charge of the employment department, rendering an employment manager unnecessary. The additional cost of a labor administrator to the firm is simply the difference between his salary and the salary of an employment manager—a matter of not more than several thousand dollars per year—plus probably the cost of additional secretarial assistance. The more satisfactory handling of labor problems obtainable by a specialist of first-rate ability renders the additional cost within reach of small enterprises.

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THE MARINE WORKERS' AFFILIATION OF THE PORT OF NEW YORK

AN EXPERIMENT IN INDUSTRIAL UNIONISM

American labor history affords numerous examples of experiments in industrial unionism. The marine workers of the port of New York, however, have formed an affiliation which not only includes all employees engaged in the industry of harbor-marine transportation but also a large number of the foreman or master-workman class some of whom are actual owners of harbor craft and employers of men with whom they are affiliated. Moreover, four of the harbor unions thus affiliated are locals of the International Longshoremen's Association thus serving for practical purposes to unite both dock and harbor labor in support of demands made by either, and two of the unions include in their membership licensed officers of coastwise and overseas vessels.

For the sake of orientation it may be said briefly that the insular location of the cities comprising Greater New York has brought about a large amount of so-called water "trucking," in addition to the transfer of persons by ferries, between points in the harbor. Thus most of the rail lines reaching the port of New York have their terminals on the Jersey shore. Most of the steamship piers are on the Manhattan side. As a consequence, freight must be transferred between rail ends and the other side of the harbor. Moreover, the absence of belt-line facilities together with congested street traffic makes it imperative that "lightering" or "trucking" be done by means of harbor craft.

In 1916, according to figures compiled by the Bureau of Census, United States Department of Commerce, there were 6,117 harbor craft engaged in carrying on the commerce of the port of New York. These were roughly divided into 684 self-propelled and 5,433 non-self-propelled. The self-propelled may be further divided into tugs or other towing vessels, steam lighters, ferry-boats,

and passenger steamers; the non-self-propelled into coal boats, grain boats, scows, dumpers, covered barges, lighters, and car floats.

The ownership of these harbor craft varies from individual to corporate and from municipal to federal. It is estimated that from 30 to 40 per cent of the harbor craft are operated by railroads in the transfer of freight and passengers. The terminal companies and many of the steamship lines have their own harbor-marine-floating equipment. The city of New York, the state of New York, and the federal government operate ferry boats. The Departments of War and Navy and the Shipping Board have become operators of harbor craft in connection with the overseas transportation of men and supplies. In addition to these there are a large number of private owners or companies engaged exclusively in harbor transportation. Owing to incomplete registration of harbor craft, the number of such private owners or companies is not readily determinable, but information available places the number in excess of 400. Some of the owners operate but one or two boats, others several hundred; some operate independently, others are organized into associations.

The number of men employed on harbor craft in the port of New York in 1916, according to United States Bureau of Census figures, was 12,632, of which number 5,656 were on self-propelled and 6,876 on non-self-propelled craft. The services performed by these men represent varying degrees of skill. On many of the unrigged boats the captain is little more than a watchman. Many of the captains live on the boats alone or with their families and go with the boat as it is chartered from operator to operator. Labor of this class is recruited largely from the water front; has been poorly paid in the past and, from an organization standpoint, presents all the problems of the unskilled. At the other extreme are the licensed officers of the self-propelled boats. The master, captain or pilot, and engineer pass a rigid examination and receive licenses by federal authority. The master or captain is in charge of the boat and even the engineer takes orders from him. The licensed officers exercise disciplinary authority over the rest of the crew—the master over deck

employees, the engineer over fireroom employees—and, in some instances, have the power of hiring and discharging.

Omitting variations due to the size of the boat and the character of the service, the occupations represented by the employees operating the several types of harbor craft, together with the jurisdictional claims of the different harbor unions, are:

Type of Boat	Occupation	Union
	Master, mate, or pilot	American Association of Masters, Mates, and Pilots
	Engineer and assistant	Marine Engineers Beneficial Association
Self-Propelled:	Oilers	
Tugs, Steam lighters, Passenger steamers, Ferry boats	Wheelsmen, Firemen, Deckhands, Porters, Cooks	Harbor Boatmen's Union[1] / Railroad, Port, and Terminal Workers[2]
Non-self-Propelled:		
Car floats	Floatmen	
Lighters (with mast and boom)	Hoisting engineers, Operators	International Union of Steam and Operating Engineers
	Captains, Mates	Lighter Captains' Union
Covered barges	Captains, Mates	
Coal boats, grain boats, scows and dumpers	Captains	Tidewater Boatmen's Union

Obviously the likelihood of any close affiliation between licensed officers and other members of the crew, to say nothing of men employed on the unrigged craft, has seemed very remote. On October 8, 1917, however, a concerted demand was made upon boat owners in New York harbor by the Marine Workers' Affiliation of the port of New York. The unions comprising the affiliation and their relation to national and international organization are shown in the following table:

[1] Admits the following shore employees: boat dispatchers, bridge masters, bridge motormen, bridgemen.

[2] Restricted to railroad-marine employees.

American Federation of Labor	National Harbor American Association of Masters, Mates, and Pilots	United Association No. 1	Marine Workers' Affiliation of the Port of New York
	Naitonal Marine Engineers' Beneficial Association	Consolidated No. 33	
	International Union of Steam and Operating Engineers	Local 379[1]	
	International Longshoremen's Association	Lighter Captains' Union, Local 996[1]	
		Tidewater Boatmen's Union, Local 847	
		Harbor Boatmen's Union, Local 321	
		Railroad, Port and Terminal Workers Local 848[1]	

A brief history of each of the foregoing unions prior to their affiliation will serve to make clear the problems of concerted action and to indicate the importance of the action as an experiment in industrial unionism.

MASTERS, MATES, AND PILOTS

The burning of a passenger steamer at one of the New York Harbor piers in 1880 resulted in the arrest of her captain and engineer who were charged with neglect of duty but were not permitted to appear before the Board of Local Inspectors of steam vessels in the investigation that followed. This event, together with a growing dissatisfaction with steamship inspection laws affecting licensed officers, gave impetus to a movement among licensed pilots to organize nationally. The American Brotherhood of Steamboat Pilots, Harbor No. 1, was formed January 12, 1887. Locals were formed in New York and other harbors and finally in

[1] Admitted to the affiliation subsequent to the concerted demands of October 8, 1917.

1900, in order to include in its membership licensed masters and mates, the name of the organization was changed to the American Association of Masters, Mates, and Pilots.

At first the organization tended to become highly localized. Five locals, or harbors as they were called, were organized in the port of New York. These were consolidated in 1903 into what is known as Harbor No. 1, and a business manager was elected.

Only one strike of consequence has been called in the harbor. Late in 1909 the masters, mates, and pilots employed by the marine departments of railroad and terminal companies in the port requested a conference with their employers to take up the question of an eight-hour day. Subcommittees made up of a master and pilot from each of the railroads, with the business manager of the association as chairman, were appointed to deal with the railroads. The terminal employees were given authority to deal directly with their employers. Several conferences were held by the subcommittees with representatives of the railroads but no agreement was reached and on March 15, 1910, the men threatened to tender their resignation effective as of March 31, 1910. Soon afterward several of the railroad representatives submitted a counter-proposal of one day off each week and seven days' vacation each year with pay. This was refused by the subcommittee which, however, receded from the eight-hour day demand and proposed one day off each week with ten days' annual vacation. The ten-day vacation demand was subsequently changed to seven days and an additional demand was made for a slight wage increase.

Several of the railroad companies and all of the terminals succeeded in making individual agreements with their men prior to March 31, 1910. Four of the railroad companies, however, stood out and 91 men went on strike April 1, 1910. Efforts at mediation on the part of the State Bureau of Mediation and Arbitration failed and the railroads proceeded to fill the places of the strikes. On April 17, 1910, the strike was called off by the union. The consequences of the strike were probably more serious to the union than to the employers, though it taught the union the lesson that partial strikes were likely to be unsuccessful. It is probable, too, that the

first seeds of affiliation with other harbor employees were sown at this time.

The association has also suffered reverses from internal dissension. Because of dissatisfaction with the progress of a wage dispute in the summer of 1908, a number of members withdrew from the association and formed an organization known as Independent Harbor No. 1. Again after the strike in 1910, a large number of members left the association because of dissatisfaction with the method of conducting the strike. The general manager, in particular, was severely criticized and shortly afterward resigned, organizing the "American Steamship Licensed Officers' Association, Incorporated." A number of the members of the American Association of Masters, Mates, and Pilots who had supported the general manager went over to the new association, the purpose of which, as expressed in the preamble of its constitution, is to have its members deal directly with their employers and not through an affiliation or union. In this is seen the shadow of the methods used in the 1910 dispute.

Another organization of licensed deck officers was started in March 1912 as the "Neptune Association of Masters and Mates of Ocean and Coastwise Steam Vessels." This association was organized "to unite into one great body the licensed masters and mates of ocean and coastwise steam vessels, and thus enable them to demand and obtain a voice in the making of laws and regulations under which they are governed, to improve the condition and status of the profession generally; to furnish assistance in professional matters, and at the same time to promote cordial relations with employers." Neither of the three associations formed subsequent to the American Association of Masters, Mates, and Pilots has agreements or affiliations with any labor union, and for the most part their membership is composed of licensed deck officers on ocean and coastwise vessels. Hence these organizations are not of especial interest in the harbor situation.

As indicated previously, the American Association of Masters, Mates, and Pilots differs in one very important respect from other craft unions. Its members are looked upon as the direct representatives of the employers' interests. The position of authority in

which the master of the boat is of necessity placed has undoubtedly been responsible for the independent action on the part of the Association of Masters, Mates, and Pilots in demands for wage increases and their former aloofness from other harbor employees in their demands. Indeed, it is not unlikely that the Masters, Mates, and Pilots felt their interests to be different from those of their subordinates or of other labor organizations and made no effort to affiliate with them.

The affiliation of the American Association of Masters, Mates, and Pilots with the American Federation of Labor did not take place until 1916, though it had been under discussion for several years previous and as early as 1910 the Seamen's International Union offered a resolution at the American Federation of Labor Convention, inviting licensed deck officers and marine engineers on merchant vessels to affiliate with the Federation of Labor. The affiliation was probably hastened by the rival organizations established and the desire to prevent such organizations from being recognized by the American Federation of Labor. At the 1917 convention of the American Federation of Labor, the American Association of Masters, Mates, and Pilots introduced a resolution stating that the American Steamship Licensed Officers' Association, Incorporated, is an organization "maintained principally by and for the employers" and that it was instituted for the purpose of destroying the American Association of Masters, Mates, and Pilots. The American Federation of Labor was requested to regard this organization as "inimical to the best interests of labor" and it was urged that "all true friends of organized labor refrain from identifying themselves with it." The resolution further asked that the "Neptune Association" of Masters and Mates of ocean and coastwise steam vessels "be considered as detrimental to organized labor."

MARINE ENGINEERS

The Marine Engineers were organized in the early seventies, though it was not until 1882 that a local was established in the port of New York. This was known as Marine Engineers' Beneficial Association No. 33, and was short-lived. It was succeeded by

Marine Engineers' Brotherhood Association No. 50, the membership of which consisted largely of ferry-boat engineers. Locals were formed in Brooklyn and Jersey City. Engineers on ocean and coastwise steamships were admitted to membership in these locals, but they felt that their interests differed radically from those of engineers employed on harbor boats, and finally in 1888 another local was formed, known as Ocean Marine Engineers' Association No. 69. Three of these locals finally united in the Consolidated Marine Beneficial Association No. 33. The other locals in New York Harbor gradually disintegrated.

Only two strikes of any consequence have been called by the Consolidated Marine Engineers' Beneficial Association. In April, 1903, approximately 200 marine engineers employed by six of the railroads with terminals at the port of New York made demands for increased wages, a twelve-hour working day, compensation for overtime, traveling expenses when relieved or required to report at other than regular points and uniform regulations regarding meals and meal allowances.

A board of arbitration composed of a representative of the engineers and a representative of the railroads heard the case, but being unable to agree upon an award, an umpire was chosen. A decision was rendered June 20, fixing a wage-rate somewhat below the scale demanded. No decision was made on the hours per day and the question of meals was left to be arranged between each company and its employees. The men were allowed two days off each month and one week's vacation with pay—with double compensation for work performed in lieu of days off. The demand for traveling expenses in case of irregular relief or reporting points was granted.

At the same time that demands were made upon the railroads, 1,300 engineers employed by other harbor interests demanded an increase in wages. The demands were granted to all but 150 men who went on strike May 12. About 400 firemen, oilers, and coal passers also went out in sympathy with the engineers, the result being considerable interruption to harbor traffic. No united front was put up, however, and the places of the strikers were gradually filled.

The second strike of the marine engineers occurred in 1916. Early in April of that year, demands for increased wages were made through a circular letter issued by the Consolidated Marine Engineers' Beneficial Association No. 33. Their demands were ignored, and on May 1 a strike was called. The harbor boatmen supported the engineers, and on May 3 it was reported that 450 tugs were tied up, 40 steamships were unable to leave their piers, and 1,500 engineers were idle. An effort was made by the United States Department of Labor to bring about an adjustment, but it did not meet with success. Boat owners, however, began to make individual agreements with their own employees and by May 12, 1916, the strike was virtually ended, the men having obtained by individual agreement substantially what had been asked through the Association.

It has been stated previously that the engineers on ocean-going vessels are inclined to regard their interests as different from the interests of engineers on harbor boats. Shortly after the strike the question arose again. Fifteen ocean-marine engineers, members of Consolidated Marine Engineers' Beneficial Association No. 33, applied for a charter which was granted by the national president in July, 1916. The opposition from Local No. 33 was so strong, however, that the charter was revoked. Another charter was granted to a different group of engineers in August, 1916, but this also was revoked. Finally, an independent organization was formed February 1, 1917, known as "Ocean Association of Marine Engineers." Like two of the associations of licensed deck officers described previously, this Association claimed to be not a labor union but "essentially and exclusively a society for engineers bearing ocean certificates." Similarly, too, it was charged with being supported by and in the interests of steamship companies. Early in 1919, however, a charter was granted by the National Marine Engineers' Beneficial Association, and the charge is presumably withdrawn.

What has been said of the aloofness of masters, mates, and pilots applies in much the same degree to the marine engineers. They, too, represent the interests of the employer and are subject only to the orders of the captain. As a consequence, the idea of

affiliation with other harbor employees or labor unions has been of almost as tardy growth as with masters, mates, and pilots. As early as 1903, however, the question of affiliation with the American Federation of Labor was discussed at the convention of the National Marine Engineers' Beneficial Association, but because of jurisdictional claims raised by international associations of allied trades, such as boiler-makers, steam-fitters and plumbers, and machinists, the matter was dropped. The question was raised again in 1911, and finally in 1916 a charter was granted by the American Federation of Labor. Because of objections again raised by other internationals who felt that local autonomy might be lost, the charter was not accepted at this time. With our entrance into the war, however, conditions of employment changed and in order "to check the movement by unscrupulous ex-members to further extend the activity of clandestine organizations of licensed marine engineers" and to be in a position to secure recognition from government departments in the adjustment of important matters, affiliation with the American Federation of Labor was considered to be imperative. A charter was granted and accepted in November, 1917.

HARBOR BOATMEN'S UNION

The Harbor Boatmen's Union was organized in 1906 and shortly thereafter became affiliated with the International Seamen's Union of America. With the exception of the recently organized Railroad, Port, and Terminal Workers' Union, the Harbor Boatmen's Union is the only one of the harbor unions that does not follow craft lines. Jurisdiction is claimed over cooks, deck-hands, firemen, oilers, porters, and wheelsmen on self-propelled boats, over floatmen on car floats, and as well over boat dispatchers, bridge masters, bridge motormen, and bridgemen employed at the dock or bridge.

Four strikes have been called, one in 1906, one in 1908, one in 1910, and the last in 1914. In addition to these, sympathetic support was given the engineers in the 1916 strike. From a union standpoint, the strikes have not been very successful. The 1906 strike involved about 250 employees, employed by five companies. Four companies granted substantially the wage increases demanded, the fifth company refused, and the places of the strikers were filled.

In the 1908 strike about 60 men employed by five companies struck against a reduction in wages. The employers refused to meet union representatives, but agreed to pay the same rate of wages as before the strike, and the men returned to work. The 1910 strike occurred at the same time as the strike of masters, mates, and pilots. About 750 of the harbor boatmen were affected, but the employers refused to confer with representatives of the union and filled the places of those strikers who would not return to work under individual agreement. In the 1914 strike only 90 employees were affected and these returned to work under the former conditions without the consent of the union.

This failure on the part of the Harbor Boatmen's Union to obtain wage increases and working conditions comparable with those obtained by other harbor unions was held to be due to the competition of shore unions of cooks and firemen whose members were employed on harbor craft and to insufficient support from the International Seamen's Union. The latter union, in turn, charged "that certain local officials of the International Longshoremen's Association have quietly but energetically sown the seeds of disruption among the members of the Harbor Boatmen's Union." At any rate, the harbor boatmen withdrew from the International Seamen's Union in December, 1916, and affiliated with the International Longshoremen's Association as Local 847, Series 1. Subsequently the number was changed to Local 321.

LIGHTER CAPTAINS

Non-self-propelled boats other than those classed as tidewater boats or car floats may be designated as lighters and barges. The Lighter Captains' Union claims jurisdiction over the captains and mates of these boats. The union was first organized in 1913 as the Lightermen's Brotherhood Association. The objects of the association were purely social and benevolent, and it existed as a fraternal insurance organization until 1917, when a desire to improve the wages and working conditions of its members led to its organization as a labor union. The new organization was chartered in October, 1917, as Lighter Captains' Union, Local 847, Series 2, of the International Longshoremen's Association, the number being

changed later to Local 996. It did not, however, become a member of the Marine Workers' Affiliation until after the concerted demand of October, 1917. When first organized as a Lighter Captains' Union only captains were admitted, but later the so-called mate or assistant sometimes employed was admitted.

STATIONARY MARINE HOISTING ENGINEERS

A considerable number of the harbor craft designated as lighters are equipped with hoisting gear—steam, gasoline, or hand—for loading and unloading cargo. Those equipped with steam-hoisting gear carry an engineer in addition to the captain. Gas hoists are operated either by the captain or by an engineer. The International Union of Steam and Operating Engineers claims jurisdiction over these engineers through Local 379 organized about 1906. Prior to this, however, the hoisting engineers on harbor craft were organized into an independent union of Harbor Engineers. This union later became a local of the International Longshoremen's Association retaining its affiliation until 1906.

The members of Local 379 have had one strike of consequence. In 1915 the union demanded a wage increase which was refused. About 350 men were on strike for five weeks but were unable to secure their demands. It is charged that the engineers did not receive the support of other harbor unions and that the places of some of the strikers were filled by members of allied trade unions. Some of the employers substituted gasoline-hoisting gear for steam and were able to get their lighter captains to operate the gasoline hoists. This practice finally led to the admission into the union of operators of gas hoists.

Local 379 is affiliated with the American Federation of Labor through its International, and in January, 1918, became a member of the Marine Workers' Affiliation of the port of New York.

TIDEWATER BOATMEN

Certain types of one-man non-self-propelled boats, namely coal boats, grain boats, scows and dumpers, are designated as tidewater boats. In the fall of 1902, a number of the captains of these boats organized what is known as the Tidewater Boatmen's Union. By

September, 1903, a membership of nearly 1,500 was claimed, but the members became dissatisfied with the union officials, charging mismanagement and misappropriation of funds, and, in 1905, the union went out of existence. The union was later reorganized and by September, 1907, a membership of 1,800 was claimed.

A wage increase was demanded in October, 1907, which was refused by employers. As a result of this refusal, a strike was called November 1, 1907, affecting 1,800 employees and 88 boat owners. The owners refused to arbitrate or to meet union representatives. Individual employers, however, negotiated with the union and wage increases were granted to all but 180 men employed by two owners.

Trouble with union officials was again the cause of dissatisfaction among members and is assigned as the reason for the decline in membership following the 1907 strike. By September, 1909, there were less than 250 members in the union. During 1910, the membership began to increase and by the fall of 1913, when new wage demands were presented to employers, the union claimed nearly 2,000 members. Practically all of the 2,000 members are reported by the union as on strike, January 2, 1914, to enforce the 1913 demands. Conferences were held between employers and union officials and wage increases were granted to about 1,900 of the men on strike.

After the strike the membership again declined, this time to about half the number before the strike, and did not revive until 1917 when plans were made for new demands.

The rise and fall in membership of the Tidewater Boatmen's Union is characteristic of any local union of unskilled employees which is not guided in its policies and activities by the officials of a stronger and more stable parent organization. This the Tidewater Boatmen's Union did not have until 1913, when it was chartered as Local No. 847 of the International Longshoremen's Association.

RAILROAD, PORT, AND TERMINAL WORKERS

The most recent of the harbor unions is the Railroad, Port, and Terminal Workers, organized in July, 1918, ten months after the concerted demands of 1917. Except that it is restricted to railroad-marine employees, the occupations over which the Railroad, Port,

and Terminal Workers claim jurisdiction are identical with those represented by the Harbor Boatmen's Union. Both are locals of the International Longshoremen's Association. The Railroad, Port, and Terminal Workers, however, were only recently admitted to the Marine Workers' Affiliation. The reasons for this, together with the circumstances giving rise to the seeming conflict of jurisdiction between two of the harbor unions, belong properly to a consideration of the problems growing out of concerted action.

MARINE WORKERS' AFFILIATION OF THE PORT OF NEW YORK

It will be evident from the foregoing brief history of the various harbor unions that each had worked more or less independently of the other. Prior to 1917, there had been no concerted demand and the support accorded to a union on strike by other harbor unions fell far short of being whole-hearted. This was particularly true in the attitude of the licensed officers and engineers toward other harbor employees. Thus in the strikes of the harbor boatmen, the engineers and captains continued to operate the boats with such help as the owners were able to provide. Even between the captains and engineers there were often grievances and a lack of cordial co-operation due in a measure to the feeling on the part of the engineers that the captains stood closer to the boat owners and worked hand in hand with them.

After the strike of the masters, mates, and pilots in 1910, however, the Marine Engineers' Association and the American Association of Masters, Mates, and Pilots began to plan for closer co-operation and appointed a committee to "devise a means of connecting the two associations to the extent of being able to support, advance, and safeguard the economic interests of both organizations and their members collectively and individually."

Finally in the early part of 1913, a joint committee made up of the president, first vice-president, and business manager of each of the two associations, and a member of each association for each branch of the steamboat service, that is, one steamboat, one ferry boat, one independent tug, one passenger steamboat, and one yacht, was permanently organized as the Marine Officers' Working Affiliation, Nos. 1 and 33. The reason assigned for this

action was that this was a "day of combinations of industrial and professional organizations for the better security and advancement of their like interests . . . . and because the masters, mates, and pilots, and marine engineers interests are so closely identified that contrary action on the part of either is injurious to the other and assistance by either is beneficial to both."

The constitution of the Marine Officers' Affiliation provided that regular meetings should be held once a month and in the matter of disputes the following provisions were made:

> First. All reports of grievances arising between a master, mate, or pilot and an engineer shall be submitted to their respective associations, and, if accepted, the other association shall be so notified and the matter adjusted at the next earliest meeting, regular or special, of the Marine Officers' Working Affiliation.
>
> Second. Reports of grievances arising between the members of either association or agents shall be made to their respective association, and if co-operation be desired, the president of each association shall appoint the requisite number of members of the Marine Officers' Working Affiliation who shall form a joint committee to adjust such grievance. The association whose grievance is to be adjusted shall have a majority on such committee. No member required to serve on a committee appearing before his employers.
>
> Third. No member of either association affiliated shall be permitted to sign any petition detrimental to the interests of any other class of organized labor.

Except for the third provision above, there was no suggestion in this affiliation of co-operation with other harbor employees. At the 1915 convention of the American Federation of Labor, however, the International Longshoremen's Association requested the convention to arrange for conferences of representatives of the international unions of the marine trades for the purpose of discussing the formation of a marine trade department within the American Federation of Labor in order to combat the increased strength of the shipping companies. This did not have especial reference to the port of New York, and nothing further was done toward co-ordinating the unions of New York harbor employees until the 1916 strike of the marine engineers. During this strike the engineers received the active support of the harbor boatmen. A working agreement was entered into between the Marine Officers' Affiliation and the Harbor Boatmen's Union which, while not

admitting the latter to membership, paved the way for a better understanding and provided for mutual support.

Early in 1917 the affiliation began making plans for a concerted effort to better wages and working conditions. Representatives of the Harbor Boatmen's Union and of the International Longshoremen's Association met frequently with the Marine Officers' Affiliation and pledged their support. On May 29, 1917, the Marine Engineers' Association sent a letter to the New York Boat Owners' Association requesting a conference for the purpose of adjusting wage-rates. The New York Boat Owners' Association referred the matter to the New York Towboat Exchange composed of towing interests and a conference was agreed upon for June 20, 1917, on which date the marine engineers submitted to the New York Towboat Exchange, a formal demand for a flat increase of $25.00 per month to engineers on harbor vessels, a twelve-hour day and an overtime rate of $1.00 per hour. On the same date, the masters, mates, and pilots met in conference with the Towboat Exchange and submitted demands identical in most respects with those of the engineers. In the meantime the Harbor Boatmen's Union had written to the Towboat Exchange on June 19, requesting that they be considered in the conference with the engineers and the masters, mates, and pilots. This request was refused, as was also a subsequent request from the engineers to the same end. The consequence of this refusal was that negotiations with the engineers and masters, mates, and pilots were discontinued, the engineers charging the Towboat Exchange with an arbitrary attitude inimical to the best interests of the harbor, the Exchange charging the engineers with violation of the agreement for a conference with only the engineers and with an attempt to force the members of the Exchange to recognize the Harbor Boatmen's Union.

Telegrams were sent to the Secretaries of Commerce and Labor by the marine engineers requesting intervention and investigation. Mediation was attempted by the United States Department of Labor and by the State Board of Mediation and Arbitration, but without success.

In the meantime, at the July, 1917, convention of the International Longshoremen's Association, delegates from the Harbor

Boatmen's Union and the Tidewater Boatmen's Union introduced a resolution stating that "because the conditions of the marine organizations of New York and vicinity are more or less uncertain with regard to their work and organization, mainly because they do not work together as they should," such conditions would be improved by meetings of the officers of the various organizations at least once a month to discuss matters of general interest. The convention was requested to take steps to bring about an organization in the nature of a marine council in the port of New York. At the same convention it was requested that a special organizer, eligible to membership in locals of the International Labor Association, be appointed "to work in conjunction with masters, mates, and pilots and the marine engineers, and assist in maintaining harmony and close co-operation between the above named organizations."

The unsuccessful attempt on the part of state and federal agencies to bring about a settlement, together with the representation on government boards and councils accorded to labor in other industries, undoubtedly strengthened the harbor employees in their determination to act concertedly and to obtain recognition. This feeling was aggravated, too, by the attempt on the part of owners to make individual agreements with their employees. On October 5, 1917, at the request of the Marine Engineers' Beneficial Association No. 33, representatives of the marine engineers, the masters, mates, and pilots, the Harbor Boatmen's Union and the Tidewater Boatmen's Union met for the purpose of affecting closer relations and gaining united support. The result was a working agreement and the formation of the Marine Workers' Affiliation of the port of New York. Demands were formulated, and on October 8, 1917, these were sent to the various boat owners by the newly created Marine Workers' Affiliation. The demands specified that none but members of the four associations forming the affiliation should man harbor boats and that the wage schedule and rules should take effect at 6 A.M. of November 1, 1917. Immediately thereafter, steps were taken by the Marine Engineers' Beneficial Association and by the American Association of Masters, Mates, and Pilots to secure the resignations required by law of licensed officers before they can quit work.

ARBITRATION

Before the strength of the Affiliation could be put to the test, representatives of employees were requested to appear before the United States Shipping Board. An agreement was reached whereby the demands would be submitted to an arbitration board made up of a representative each of employees, employers, and the government. This form of arbitration was opposed by employers on the ground that their employees were not organized and that the so-called representatives did not represent harbor-marine labor. Finally, on October 20, 1917, it was agreed that all disputes affecting wages and working conditions, which could not first be adjusted by employers and employees, were to be submitted during the period of the war to a strictly government board of arbitration made up of a representative each of the Department of Commerce, the United States Shipping Board, and the United States Department of Labor. It was further provided that "this government board shall have no authority to pass upon the question of open or closed shop or the recognition of unions, but there shall be no discrimination of any kind against union men and the board shall have power to determine questions of discrimination."

In the arbitration that followed employers objected persistently to having anything to do with the Marine Workers' Affiliation and expressed the fear that arbitration would eventually lead to the recognition of unions. The railroad-marine interests objected particularly to being classed with other harbor-marine interests on the ground that there was nothing in common either in method of operation or in the fixing of rates. Hearings were held separately with employers and employees in order to avoid the question of the "open or closed shop, or the recognition of unions." An award was made November 16, 1917, establishing minimum wage-rates and working conditions for the several classes of marine labor over which the Marine Workers' Affiliation claimed jurisdiction. This included the lighter captains in addition to the employees represented in the demands first presented, the Lighter Captains' Union having joined the Affiliation just prior to the arbitration proceedings.

The Marine Workers' Affiliation was admittedly brought about in part by the strategic position of labor in the port due to the

unusual demands of war and in part by the uncompromising attitude of many boat owners toward harbor unions, particularly the unions of unlicensed men on harbor boats. Had the war ended within a few months after the award was made, or had boat owners immediately fallen into line and complied strictly with the award, it is doubtful if the Marine Workers' Affiliation would have been more than a half-completed experiment. As it was, no action was taken immediately toward perfecting the Affiliation. For a time neither constitution nor by-laws were adopted and doubt was expressed as to the practicability of attempting a close affiliation of licensed and unlicensed men. The former were tolerant; the latter distrustful of the others. Meetings were held infrequently and these fell far short of being harmonious.

The continuation of the war with the accompanying demand upon the man power of the nation gave labor an economic power that can hardly be overestimated. Rapidly rising prices bred discontent which adjustment agencies sought to quiet by frequent wage increases. New York harbor employees were thus faced on the one hand with high prices and a knowledge of wage increases in other industries in excess of what they had been awarded, and on the other hand by a failure of a large number of boat owners to comply with the award, some ignoring it, others complying half-heartedly. These circumstances served to give form and permanency to the Affiliation and to make of it something more than a letterhead organization.

Violations of the award had an immediate effect on both union and non-union employees. Employees who were members of unions proceeded to report violations of the award to their representatives and to ask embarrassing questions concerning the enforcement of the award. Representatives of unions quite naturally exerted themselves most actively on behalf of members of their organizations and were able to use the argument, "If you want it, join the union." This does not imply that any preference was given by the Board of Arbitration to union employees in the adjustment of complaints. On the contrary the Board sought to carry out the letter of the agreement and warned representatives of the unions that they were violating the agreement if they approached employ-

ers with complaints of their members. Very few complaints were filed with the Board, however, either by or on behalf of non-union employees. The growth in union membership was rapid and employers who had previously asserted that their employees did not belong to a union and were fully satisfied with wages and working conditions awoke to the realization that their employees had become union members and filed complaints against their employers.

The newly acquired members of the unions were the most impatient over delays in securing compliance with the award. Many had become members on the assurance that the "union would see that they got the award." Union meetings became an open forum for criticizing the union representatives and the Board of Arbitration. Finally the unrest became so great that the Shipping Board subpoenaed some sixty boat owners and threatened seizure of property if compliance was not immediate. This had a salutary effect and compliance became rather general. The unrest that had developed, however, now found expression in new wage demands on the part of the three unions of unlicensed men to whom an award had previously been made, and original demands by a union recently admitted to the Affiliation, the International Union of Steam and Operating Engineers, which claimed jurisdiction over men operating stationary hoisting engines on harbor craft. An award was made to steam and operating engineers, but except for certain conciliatory interpretations of the previous award, the demands of the other three unions were denied by the Board of Arbitration.

Immediate exception was taken by the hoisting engineers to the award, and by the three unions of licensed men to the refusal of the Board to reopen their case. Representatives of the licensed pilots and marine engineers attempted to defend the decision of the Board and in so doing nearly broke up the Affiliation. The Lighter Captains' Union went so far as to pass a resolution withdrawing from "that part of the Marine Workers' Affiliation known as the Masters, Mates, and Pilots and Marine Engineers," but no action was taken by the Affiliation and the Lighter Captains' Union repealed the resolution. In the meantime, an appeal was taken to the National War Labor Board and representatives of employers

and of the unions were directed to appear before the Board, thus meeting for the first time in joint conference. The result was a modification of the original agreement to provide for two additional board members, one representing employers and one representing employees, and for a rehearing of the then existing demands before the enlarged board.

CONFLICTING JURISDICTION OF GOVERNMENT INTERESTS

The rehearing was given and an award agreed upon, but before it could be promulgated the Director General of Railroads, in what was known as Order No. 27, announced a general wage adjustment with a recognition of the principle of the eight-hour day to all employees including railroad-marine employees who in the port of New York comprised approximately 35 per cent of the total harbor employees.

This action of the Railroad Administration was taken apparently without considering or fully appreciating that an agency had been created by agreement some seven months previous for the adjustment during the period of the war of wages and working conditions of New York harbor marine employees, including railroad-marine employees, to which agreement the railroads, then under private management, were parties and that a representative of the Railroad Administration was a party to the modified agreement secured before the National War Labor Board. Moreover, with the taking over of the operation of the railroads by the government and the appointment of a Railroad Wage Commission, the dangers of divided jurisdiction in the port of New York and elsewhere were foreseen and brought to the attention of the Commission with the result that in its recommendations those employees were excluded whose wages and working conditions were established by agencies of the government created subsequent to our entry into the war. This recommendation was not approved by the Director General of Railroads, who instead specifically directed that the wage increases recommended by the commission should apply to railroad-marine employees.

To avoid, if possible, further confusion in New York Harbor, conferences were arranged between the Shipping Board, the New

York Harbor Board, and the Railroad Administration and an understanding reached whereby Order No. 27 was withheld in its application to railroad-marine employees in the port of New York and awards of the Harbor Board were to be made recommendatory to the Railroad Administration. The agreement creating the Harbor Board was again modified to provide for two additional members, one representing the railroads and one representing employees. An award was issued July 12, 1918, effective until May 31, 1919, "unless in the judgment of the Board conditions warranted a change prior to the date thus fixed for expiration."

This award like the one previously issued provided only for minimum wage-rates and working conditions. Some of the wage-rates thus established were lower than railroad-marine employees would have received under Order No. 27. The order had been misinterpreted, moreover, in respect to the principle of a basic eight-hour day, recognition of which was emphasized in the order, many employees contending that it was the intention of the Director General to establish the eight-hour day. Railroad-marine employees in the port objected immediately to being placed under the award of the Harbor Board and committees appeared before the Board of Railroad Wages and Working Conditions protesting against withholding from them the application of Order No. 27. Unlicensed men proceeded to organize the Railroad, Port, and Terminal Workers' Union. Firemen on some of the boats struck, demanding the eight-hour day and the application of Order No. 27. Further conferences were held and the Director General issued a new order directing that wherever employees were entitled to more under Order No. 27 than under the harbor award, the railroad award would prevail. This at once restored differentials as between identical classes of railroad-marine labor. It was brought to the attention of the harbor board that the Railroad Administration was seeking to do away with wage differentials within an occupation and that in accordance with this policy, the Harbor Board was requested to recommend an upward standardization of wages to railroad-marine employees on the basis of the highest rate paid in each occupation. The Harbor Board refused to make the recommendation on the ground that wages had once been standardized

by an award to which the railroads both under private and public management were parties, that this standard had been upset by the Railroad Administration and that a further differential as between the wages of employees on public and privately operated boats would result in destructive competition for labor. The Harbor Board and the Shipping Board conferred with the Railroad Administration and it was agreed that no further change would be made in the wage and working conditions of railroad-marine employees except on the recommendation of the Harbor Board.

To avoid a repetition in other ports and other industries of the New York harbor situation, a Conference Committee of National Adjustment Agencies was formed to which awards touching classes of labor over which more than one adjustment agency had jurisdiction would be referred for review before being promulgated. Notices were sent to the various local boards and commissions including the New York Harbor Board instructing them not to issue awards until the Conference Committee had given its approval.

About this time, the Railroad Administration began to put into effect a basic eight-hour day with further wage increases to a large number of employees. The exclusion of railroad-marine employees from these advantages, in the face of the previous proposal of the Railroad Administration to standardize their wages upward, led to considerable dissatisfaction. The harbor unions and the Board of Arbitration were criticized by railroad employees and accused of seeking to withhold from them what the Railroad Administration was anxious for them to enjoy. Committees of employees again appealed to the Board of Railroad Wages and Working Conditions and were directed to apply to the Harbor Board. The Harbor Board, in turn, requested the Railroad Administration to advise whether hearings should be held and recommendations made. Several weeks elapsed before a reply was received requesting the Harbor Board to hear the demands of the railroad-marine workers and, in the meantime, the Harbor Board was notified by the Marine Director of the Port for the Railroad Administration that the Administration had authorized the upward standardization of wages previously proposed. The Harbor Board immediately placed the matter before the Conference Committee to ascertain whether that

committee had approved the increases ordered by the Railroad Administration and was advised that the action had not been approved and would be taken up with the Railroad Administration.

This upward standardization of wages to railroad-marine employees together with the general trend of wage adjustments in other industries and the announced policy of the Railroad Administration of granting the basic eight-hour day to all railroad employees added fuel to the smoldering unrest in the harbor. On November 6, 1918, the Railroad, Port, and Terminal Workers, comprising the unlicensed men on railroad boats, refused to work until they received the eight-hour day. The action was repudiated by the Marine Workers' Affiliation, to which the Railroad, Port, and Terminal Workers had not been admitted, but two days later the Affiliation on behalf of all marine employees, presented demands for wage increases and for an eight-hour day.

In the hope of averting what seemed to be a rapidly approaching crisis, the Harbor Board notified the Railroad Administration of the situation and advised that hearings must be held at once, but that unless the future policy of the Railroad Administration was known, the Harbor Board could not proceed safely or intelligently to make recommendations in the case of railroad-marine employees. Telegraphic reply was received to the effect that the Railroad Administration had decided to adjust the wages of its marine employees through its own agencies. In fact, the case of the railroad men on strike was then being heard, and shortly thereafter it was announced that a wage increase and the basic eight-hour day had been recommended to the Director General.

The Harbor Board was thus faced with the alternative of adopting the settlement about to be made by the railroads, or of adding to the confusion by proceeding to make an award applicable only to employees on other than railroad-operated boats. The Harbor Board, however, announced a hearing for November 15, 1918. Private boat owners now took the position that they would not consent to a reopening of the case until May 31, 1919, the date of expiration of the award, and refused to appear. The railroad representative on the Board advised that he had been directed to withdraw from the Board. In view of this attitude of private

owners and the Railroad Administration, the Harbor Board met and in a lengthy resolution recited the conflict of jurisdiction concluding that

WHEREAS, The Board now has before it demands from harbor employees presented through the Marine Workers' Affiliation of the Port of New York and asking that the decision of the Board on these demands be made applicable to all harbor employees, and

WHEREAS, In view of the action taken by the Railroad Administration, the Board is without authority to act for all harbor employees, yet, with the interest of the entire port in mind, cannot take any action not applicable to the entire port, and

WHEREAS, The Board feels that the situation has at no time justified a departure from the policy of standardizing wages and working conditions of all harbor-marine employees and that such departure has not only created dissension within the ranks of labor and led to competition for labor contrary to governmental policy, but has brought governmental agencies of adjudication into disrepute, destroying their affectiveness, and now bids fair to create an uncontrollable situation, and

WHEREAS, The problems of reconstruction make it immediately imperative that action be taken to protect the marine interests of the port by making effective a policy comprehending all interests, and

WHEREAS, All efforts of the Board of Arbitration in this direction have been set at naught by the unwillingness of the railroads to concede an identity of interests, or to consider the general interests of the port, and

WHEREAS, The continuance of this Board under the circumstances set forth apparently will not lead to a re-establishment of the principles upon which the Board feels the entire marine interests of the port depend, and may conceivably prevent the restoration of such principles by means of other agencies, now therefore be it

Resolved, That this Board recommend its own dissolution and that concurrently with such dissolution an agency be set up vested with authority to review the entire situation and to make recommendations which, when approved in the light of a national labor policy, shall be issued as an award applicable to all harbor-marine employees and interests.

In the meantime, however, dissatisfaction on the part of some of the railroad employees with the proposed settlement, made for a delay in the issuance of the formal order by the Railroad Administration announcing the terms of the settlement and suggested the possibility of some arrangement whereby further conflict of jurisdiction might be avoided. To this end the Shipping Board called a conference at Washington, November 29, 1918, of representatives

of employers and employees and of all government departments interested in the operation of harbor craft in the port of New York. At this conference boat owners repeated their objection to a reopening of the case but did not refuse absolutely to arbitrate. The Railroad Administration signified its willingness to co-operate, agreed to withhold its decision in their proposed adjustment until the Harbor Board could make recommendations, and offered to detail a representative to sit with the Harbor Board in an advisory capacity.

As a result of the conference with the Shipping Board and other interests, the Harbor Board called a hearing for December 6, 1918. Boat owners appeared by counsel and gave notice that they considered the Board no longer existent, it having been created for the period of the war which had terminated with the signing of the armistice; denied the jurisdiction of the Board and refused to be bound by any decision it might make. They signified their willingness however, to permit the Board to determine whether there had been an increase in the cost of living and to grant wage increases in accordance therewith. The Board refused to be restricted in its determination and proceeded to hold a conference with the Shipping Board and the Railroad Administration for the purpose either of making an award on *ex parte* testimony or of deciding upon some other course of action. A new agreement was proposed as a compromise providing for the establishment of a new board of arbitration made up of two representatives each of harbor boat owners and employees and an umpire to be chosen by these four, or, in case of failure, to be selected by the National Adjustment Commission of the Shipping Board. It was further provided, that if the board thus created did not accomplish a settlement, the National Adjustment Commission would hear and determine the case. This proposition was accepted by employees but refused by employers who based their refusal on an unwillingness to arbitrate the question of the eight-hour day.

This refusal of employers to accept a new agency of arbitration was followed by the withdrawal of the employer member of the Harbor Board, the Board thus being left in the position that if an award was made it would be without evidence from employers and

without employer representation on the Board. In view of this, and faced with the knowledge of an impending strike, the Harbor Board appeared before the National War Labor Board, stating its inability to act under the circumstances and requesting that body to assume jurisdiction. The War Labor Board called a hearing, citing employers and employees to appear and show cause why they should not proceed under the arbitration agreement. Private boat owners refused to recede from their position. The Railroad Administration signified its willingness to co-operate, but would not agree in advance to be bound by the decision. The War Labor Board ruled, however, that the agreement was binding on all parties, upheld the jurisdiction of the Harbor Board, directed that any vacancies on the Board should be immediately filled by the appointing powers and that if either employers or employees wished a revision of the award they should seek such revision in accordance with the provisions of the award.

In accordance with this ruling of the War Labor Board the signatories to the agreement or modifications thereof creating the Harbor Board were requested to fill vacancies on the Board. A hearing was announced for December 27, 1918, but neither the Railroad Administration nor the boat owners named representatives on the board in place of those withdrawn, and the boat owners now took the position that they would follow the lead of the Railroad Administration and reserve the right to accept or reject any finding that might be made. This position was modified the following day so as to constitute a refusal to arbitrate the eight-hour day, or to name an employer member on the Board, regardless of what action the Railroad Administration might take.

Under these circumstances the remaining members of the Harbor Board met and adopted the following resolution:

> WHEREAS, Certain signatory parties have refused or failed to reappoint members to fill vacancies on this Board in accordance with their agreement and its modifications constituting this Board, and it is therefore impossible to reconstitute this Board in accordance with the rulings of the National War Labor Board and to properly arbitrate the present demands of the signatory employees, it is
>
> *Resolved*, That this Board declines to act in this case and that the demands presented to it by the employees be referred to the National War Labor Board, and recommends that that Board hear these demands.

Representatives of employees sent a telegraphic appeal to the National War Labor Board stating that the Harbor Board had refused to act and requesting that the War Labor Board assume jurisdiction. The Secretary of Labor and the Shipping Board joined in the requests thus submitted and declared a grave emergency to exist. A hearing was called by the War Labor Board, January 7, 1919. Boat owners and the Railroad Administration refused to accept the jurisdiction of the Board or to agree in advance to be bound by its findings. Boat owners, however, proposed a new board of arbitration made up of three representatives each of employers and employees and an impartial chairman. This board should have power to arbitrate wages. In the matter of hours and conditions of employment they proposed a committee of twenty-four members; each side to choose six representatives of employees and six representatives of employers. This committee should make a thorough investigation for a period of not less than thirty days and recommend by majority vote to the Arbitration Board which board had the power to accept or to reject. After a brief public hearing, the Board went into executive session with representatives of employers and employees. The sessions were continued the following day, but no agreement was reached. Employees refused the kind of arbitration proposed by employers, objecting particularly to the stipulation that the investigation into hours and conditions of employment should extend over a period of thirty days or more. When it became apparent that the deadlock could not be broken either by creating a local agency or by securing a submission from employers, the War Labor Board announced its inability to act in the following decision:

> The National War Labor Board finds itself unable to secure a settlement of the controversy with reference to the New York Harbor situation, for the following reasons:
>
> 1. Private boat owners and the Railroad Administration failed to comply with the order of the Board of December 21, 1918, to fill the vacancies existing on the New York Harbor Wage Adjustment Board.
>
> 2. The private boat owners and the Railroad Administration refused to submit the case to the National War Labor Board and to agree by its decision.
>
> 3. The private boat owners refused to submit the question of an eight-hour day to any other proposed form of arbitration, except after an investigation

for a period of not less than thirty days by a specially created Conference Committee supplementary to the Arbitration Board.

Under the principles and policies of the National War Labor Board, we cannot proceed further and give assurance of rendering a definite and binding decision, except in face of joint submission.

This case, which was instituted on November 8, 1918, by the employees, has already been subjected to long delay, and we feel that it would not be just to the parties to the controversy further to prolong consideration by this Board.

We further take this means of notifying the parties to the controversy—the employees, the private boat owners, and the Railroad Administration—and the various governmental departments at whose instance we took up this case, viz., the Department of Labor, the Shipping Board, and the War and Navy Departments, that we have been unable to effect a settlement of the case, either by mediation or conciliation.

In making this declaration, the National War Labor Board earnestly appeals to the parties to this controversy, the employers and employees in New York Harbor, to immediately organize a Local Board of Arbitration and Conciliation for the adjustment of all controversies.

This decision was followed by a public statement issued by the labor section of the War Labor Board exonerating employees if a strike should occur and placing the onus on employers, public and private, for violating their agreement and refusing to submit to the War Labor Board.

NEW YORK HARBOR STRIKE

The strike committee of the Marine Workers' Affiliation met at once and announced a strike for the morning of January 9. The strike notice included all harbor-marine employees. The railroad, port, and terminal workers, although competing for membership with the Harbor Boatmen's Union, had been granted a charter by the International Longshoremen's Association and later admitted to the Marine Workers' Affiliation. The schedule thus called for a complete tie-up of the harbor. The paralyzing effects of the strike were felt immediately. Probably no other city in the world is as dependent on harbor transportation as New York City. Certainly in no other industry would it be possible for a like number of men on strike to arouse such immediate public concern and actually to menace the well-being of a city the size of New York. Thousands of people dependent on the ferries for transportation to

New York were forced to return to their homes. Thousands of tons of freight destined for Manhattan accumulated quickly on the Jersey side of the harbor. Transports loaded with returning soldiers were unable to berth. Vessels scheduled to depart for European ports remained at their piers. The greatest immediate danger, however, was that of a food and fuel shortage for, like other large cities, New York lives from hand to mouth. Municipal, state, and federal authorities were apparently unable to cope with the situation. Finally cablegrams were sent to the President urging immediate intervention. The reply was prompt and was addressed to the National War Labor Board, the tribunal created by proclamation of the President himself.

> I have been informed by the Secretary of Labor as to the serious situation which has developed in the port of New York and the strike of marine workers which seriously crippled the movement of troops and supplies. I consider that a very grave emergency and understand that it has arisen because the parties to the controversy failed to make a joint submission to the National War Labor Board.
>
> I earnestly request that you take up this case again and proceed to make a finding. I appreciate the honesty and sincerity of the Board in announcing on Wednesday that it could not promise a final decision in the controversy without a formal submission from all parties, but I am sure that the War and Navy Departments, the Shipping Board and the Railroad Administration and any other governmental agencies interested in the controversy will use all the power they possess to make your findings effective.
>
> I also believe that private boat owners will feel constrained by every consideration of patriotism in the present emergency to accept any recommendation which your Board may make, although the National War Labor Board, up to the signing of the armistice, was concerned solely with the prevention of stoppage of war work and the maintenance of production of materials essential to the conduct of the war.
>
> I take this opportunity also of saying that it is my earnest hope that in the present period of industrial transition arising from the war, the Board should use all means within its power to stabilize conditions and to prevent industrial dislocation and warfare.
>
> WOODROW WILSON

Although not specifically directing governmental agencies to accept the jurisdiction of the National War Labor Board, the request of the President could not be interpreted in any other way and representatives of the Railroad Administration, the Shipping

Board, and the Departments of War and Navy immediately requested the War Labor Board to act and agreed to accept its findings. The War Labor Board in turn notified employers and employees that jurisdiction had been taken and that hearings would be held. Under these circumstances the strike committee voted, on the evening of January 11, to order the men back to work at once. The strike thus came to an end approximately three days after being called.

Hearings before the War Labor Board began January 13, 1919. Boat owners again refused to submit to the Board and took exception to the personnel of the labor section of the Board declaring that a scurrilous attack had been made upon owners in the public statement issued by the labor section. The objection to the personnel of the Board was overruled and after an executive session, the Board announced that it would hear the case on the joint submission of public owners and their employees, making a decision with respect to the wages and hours of such employees, and that in the case of private boat owners and their employees which did not come to the Board on joint submission, a recommendation would be made.

The hearings before the War Labor Board extended over a period of nearly three weeks. Both sides appeared by counsel, one private boat owner agreeing to submit in order that evidence might be given and witnesses cross-examined. Little evidence was adduced showing the practicability of an eight-hour day in harbor-marine work. In fact the counsel for the employees devoted the greater part of the time to presenting evidence in support of wage demands leaving the question of the eight-hour day as one already recognized by the War Labor Board.

From the outset there was little hope of a unanimous agreement by the War Labor Board. This had been the stumbling-block when the Board had first sought an adjustment. Then, however, the Board did not have a joint submission on the part of any group of harbor interests and without such joint submission the Board was simply a Board of finding, unable to make a finding except by unanimous consent of the members of the Board and unable to refer the case to an umpire because it was not an arbitration board.

Having now obtained joint submission on the part of the government agencies and one private operator, failure to reach a unanimous decision meant that the case went to an umpire. Unanimous agreement was not reached and an umpire was chosen. The umpire after reviewing the evidence declined to make any changes in the wage-rates, and on the question of the eight-hour day—with two minor exceptions—found himself with insufficient evidence to make a decision and recommended the appointment of a commission to investigate the practicability of an eight-hour day in harbor-marine work.

When the decision of the umpire was announced, private boat owners hastened to indicate their willingness to accept it. The Marine Workers' Affiliation, however, declared it to be unsatisfactory and on March 4 declared another strike.

In the meantime conferences had been arranged with the hope of a compromise. Both sides were disappointed with the decision of the umpire and it is probable that both had expected a more favorable award to employees. The Railroad Administration contended for a time that it was bound by its agreement to accept the decision of the umpire, but finally entered into negotiations with the strikers and granted the eight-hour day with wage increases. Other government interests fell in line and only the men employed by private boat owners remained on strike.

For a period of seven weeks the strike against private boat owners continued. Numerous conferences were held at the instance of the United States Department of Labor, and a few private boat owners conceded the demands. The majority, however, remained firm in their unwillingness to arbitrate or to accept the eight-hour day, offering finally a ten-hour day with wage increases, or to arbitrate the question of wages.

READJUSTMENT

The Railroad Administration should probably be given the credit of ending the strike. In the settlement with the Railroad Administration the harbor employees had contended for the closed shop. In answer to this the representatives of the employees were taken to a window overlooking the harbor on which not a

craft was moving and told that a closed shop already existed. In the agreement with the railroads, the closed shop was not mentioned. Men were to perform the work they had been in the habit of performing, which included the towing of privately owned boats. No trouble arose so long as the men on private boats were on strike, but shortly thereafter two of the harbor unions affiliated with the International Longshoremen's Association, the Lighter Captains' and the Tidewater Boatmen, met in conference with private boat owners and signed up agreements. The Railroad Administration was advised that these men had settled and that their boats were ready to tow. As a consequence, the Railroad Administration was able to do part of the towing business of the private owners and to relieve much of the congestion in the port due to the strike. The Marine Workers' Affiliation immediately repudiated the action of the two unions charging the president of the International Longshoremen's Association with having sold out to employers, and announced that unless the Railroad Administration refused to tow boats of private companies that had not signed up with the Affiliation, a strike would again be called on all boats.

Whether the strike would have been successful is problematical. Dissension within the ranks of harbor labor was beginning to be felt. The railroad-marine employees, always more or less aloof from other marine employees, had received an eight-hour day and were reluctant to jeopardize their gains by going on strike. Two of the harbor unions had settled on a satisfactory basis with both the government agencies and the private operators. Moreover, public opinion was against a further extension of the strike on the grounds that the harbor employees had agreed to accept the decision of the War Labor Board. The Central Federated Council, however, threatened to call a sympathetic strike which with the prevailing unrest would have made for a situation difficult to control. Government officials were appealed to and, at the request of the Secretary of Labor, a truce was declared for forty-eight hours. Conferences were arranged with the mayor presiding. Employers agreed to grant the ten-hour day and arbitrate wages. Employees agreed to arbitrate both wages and hours but at last accepted the

ten-hour day agreeing to the arbitration of wages by a committee of employers and employees, and the strike came to an end.

A new difficulty now arose in the selection of an Arbitration Board. Considerable bitterness had developed during the strike, and employers objected to meeting strike leaders in arbitration. Both sides were sufficiently weary of controversy, however, to listen to advice, and it was finally agreed to appoint a committee of twelve from each side—the employees having three from each of the four unions affected, two of each three being actual employees. A smaller committee was provided to constitute an Arbitration Board. In case of a deadlock, an umpire was to be chosen. If an umpire could not be agreed upon, each side was to name one and the two thus chosen if unable to agree would name a third. A wage increase was agreed upon and ratified by both sides.

For the time being peace has been restored in the harbor, and the Marine Workers' Affiliation, strengthened perhaps in the first instance by government interference though later weakened and nearly destroyed by confusion of government interests, may be regarded as a successful experiment. There have been established, however, two sets of wage-rates and working conditions. Government-operated craft are on an eight-hour day and employees receive higher wages than are paid on privately operated boats for a ten-hour day. It is unlikely that employees on private boats will be satisfied with this arrangement for long. The settlement has served to unite the warring factions in the Affiliation and all are again members. On the other hand, the strike united employers as they had not before been united. Few individual settlements were made with employees and a movement is under way to bring all private owners of harbor craft into one organization. However, coupled with the movement toward a closer organization of employers, and the reunion of members of the Marine Workers' Affiliation, appears to be a genuine desire to get together and settle grievances by collective bargaining. Both sides are opposed to outside interference and it may be that this, together with a consciousness of the economic strength of the other, will make for the establishment of permanent machinery for self-adjustment.

Another test will probably come with the restoration to private management of the government-operated boats and a possible reduction in wages or increase in hours of labor. In this, however, the employees on the now government-operated boats will need the support of other members of the several unions, and it may conceivably strengthen the unions and the Affiliation by lessening the danger of independent action by railroad-marine employees. But until there comes to be a feeling of solidarity between skilled and unskilled, the strength of the Affiliation will be predicated upon the strength of the individual unions comprising it.

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AN ASSESSMENT ROLL FOR THE INCOME TAX

In well-ordered taxation there are always three distinct steps: levy, assessment, and collection. Levy, under American law, is a legislative act precedent to, and necessary to the legality of, the other steps. A tax can be levied only by a legislative body and the levy requires a statute or its equivalent.[1] Assessment is the administrative determination of the amount each person is to pay according to the provisions of the levy. Collection (a self-explanatory term) follows, and follows only, after a levy and an assessment. These elementary definitions are repeated by way of preface.

In a direct tax the process of assessment is usually very deliberate and formal. When completed the assessment of a direct tax is generally recorded in a formal document, known by various names but sufficiently described as the assessment roll or tax list. The assessment of a direct tax is in effect an apportionment among the several taxpayers of the amount levied. Sometimes that amount is a determinate sum as $5,000,000. In other cases it is an indeterminate sum, the result of a rate applied to the property, the income, or some other base. But in either case, the roll brings together and lists all the taxpayers and shows their respective shares of the tax.

The assessment roll is an important legal document. It is important not only as a record of official action past, but as the legal warrant for future action, collection, and again, thereafter, as the basis of audit. It is good sound law and good safe practice to prescribe that no officer may legally collect a direct tax without the warrant of an antecedently prepared assessment roll. It is long accepted American theory and practice that the assessor and the

[1] Occasionally, by a careless use of language, an executive office is directed by law to "levy and assess" a tax. But since the legislature cannot delegate its power to levy a tax, such language in a statute is void of meaning so far as the word *levy* is concerned.

collector have distinctly separate functions which may not be intrusted to the same office.

In most of the American commonwealths the formal assessment roll is the sole warrant for the collection of the property taxes. When, as has occasionally happened, some less formal warrant for collection, such as a mere tax bill, is authorized in place of the roll, grief has come sooner or later to the taxpayers and to the government.

The formal roll, as a record of deliberative proceedings officially initiated, has sometimes been regarded as affording one of the earmarks of a direct tax in distinction from an indirect tax. The difference in this respect between a direct tax and an indirect tax is not that assessment, in some form, as an essential step is missing in the indirect tax. Assessment never can be omitted in any tax. But in the case of an indirect tax it is less formal and may be a mere incident to collection. For indirect taxes the collector may be also the assessor. There is no formal roll for the indirect taxes, because the duty to pay such a tax occurs at irregular intervals of time and falls only on those persons coming by their own acts, not by the act and search of any officer, under liability. It is one thing to sit at receipt of customs and take toll of importers. It is quite a different thing to go out and round up, list, and assess all persons subject to a property tax and to value their properties. Customs appraisers, of course, make assessments by valuation too, but they do not write an assessment roll. It lies in the very nature of an indirect tax that no roll can be assembled in advance of liability to pay, while it lies in the nature of a direct tax that liability to pay can be made contingent upon an assessment roll.

The thesis we propose to defend here is that the preparation of a proper income-tax assessment roll, in advance of collection, would vastly improve the administration of the federal income tax. The roll should be conclusive and final for each year as to who is liable to income tax and for how much he is liable. We believe that the failure to make an income tax roll is fraught with danger, involves present practical evils, and that it runs counter to our best traditions of taxation. These traditions were established when democracy was in the making, when the control of the purse

by the people through their representatives was first won, and when taxes were made certain and not arbitrary. The roll is one of the means which protect the rights so won. The lawyers have a saying that tax proceedings are always in *invitum*. In so far as this is true, taxation procedure must, like every other invasion of the rights of property and of liberty, follow rules which insure the rights of the taxed. It must also have its proper formal records.

But have we not an assessment of the income tax now? Yes, we have an assessment, but no final and conclusive roll. Moreover, the assessment is far from formal and is more after the model of an assessment to an indirect tax than an assessment to an important direct tax. It is not antecedent to payment, but coincident with or subsequent to payment. The so-called official assessment is more nearly an audit or approval of the taxpayers' own self-assessment than an original officially initiated act.

Let us run over the steps in procedure as laid down in the Revenue Law of 1918, following for sake of simplicity the procedure relating to an individual, a resident citizen. First, each individual decides for himself whether he is taxable or not, and if he decides that he is taxable he makes a return (sec. 223). He files the return with the collector (sec. 227*b*), and pays the whole or one-fourth of the amount that he himself has determined to be due (sec. 250). This is an assessment—of a sort; we may call it self-assessment. It is often the only one there is that is deliberatively made. The collector examines the return and may "increase the amount of the return" (sec. 228), but may not lower it. Possibly if the collector thinks that the return is too high he will allow the taxpayer to withdraw it and file a new one. This looks a little like an official assessment. But so far as the strict letter of the law goes it is one-sided. It is not technically under the law an assessment at all. Nor is it final. It is more like an audit, although in no way a conclusive audit. It should be added that the department has provided advisors to instruct and guide the taxpayer in making his return.[1]

[1] The common criticism that the advisors were not well informed, and that it was a case of "the blind leading the blind" is distinctly unfair to the intent and purpose of the advisor plan. What was done was distinctly the best that could be done under the circumstances and under the provisions of the law.

The commissioner now enters, and "as soon as practicable after the return is filed" examines it. He may raise or lower the amount of taxable income or he may leave it unchanged (sec. 250*b*). This is technically the *assessment*. This step in the procedure is explained by Montgomery as follows: "The Commissioner of Internal Revenue assesses the tax at Washington, but forwards the tax bills to local collectors for delivery to tax-payers."[1] The law does not provide in so many words for tax bills, but for "notice and demand." But Montgomery is right as to the practical effect. It appears then that the warrant for collection is theoretically the order of the commissioner directed to the collector to give notice and make demand. At the best this is a most informal warrant. Before the passage of the Revenue Law of 1918 the tax was not due and payable until after notice and demand by the collector, and a short interval existed for assessment before payment. But under the present law, at least one-fourth of the tax is due at the time the return is filed. That is, payment is required before assessment. This is certainly not orderly procedure.

To carry out his functions the commissioner is armed with experts and inspectors and has the power to round up individuals who have not made a return, as well as those who have, and to examine individuals and their books of account. It will be observed that this is strikingly like the procedure in the case of an indirect tax. The importer comes in with his declaration, the collector examines it, if appraisal is necessary the appraisers act, the tax is due immediately, and the whole is subject to review; meanwhile revenue agents are hunting for smugglers.

But the action of the commissioner is not final and whatever memoranda of assessments he may keep never reach the dignity of an assessment roll. He has full power to reopen any assessment, or to make one where none was made, at any time within five years (sec. 250*d*). That is, a taxpayer whose return, honestly made in good faith, was accepted without criticism by the collector, and whose "notice and demand," or tax bill, followed the figures in the return without change and who has paid accordingly, may at any time within five years be reassessed and have to pay more,

[1] *Income Tax Procedure*, 1919, p. 130.

or, as the case may be, become entitled to a refund. There is no finality to the assessment until by the lapse of time, five years, a sort of statute of limitations comes into operation. In the case of false fraudulent return there is no time limit, which is perfectly proper. Under such conditions there can be no conclusive roll.

The returns are declared a public record (sec. 257). But the assessments are not so declared. This is striking evidence of the confusion of thought, for it is the assessment, not the return, that ultimately establishes the obligation to pay. Nowhere is there a legally constituted formal tax list or assessment roll, public or other. We venture to repeat that no matter how carefully the commissioner's books may be kept or the collector's lists made up, they do not have the force of a roll.

Let us now compare these scanty provisions for assessment to income tax with the orderly procedure which the experience of many years has created for the assessment to property tax. We follow the type of procedure which is found in many of our commonwealths. The variants therefrom alter in no essential the substance of what follows.

First, there is a return, or declaration by the taxpayer. This is not conclusive either as to quantity or as to value, for it is the duty of the assessor and of no one else to assess. Second, there is an assessment by an office of assessment expressly constituted for that and for no other purpose. The assessor does not act in the capacity of collector, nor is the collector an assessor. Even in very small communities, where for sake of economy the two offices are in the same person, he acts admittedly and distinctly in two different capacities, and at different times in each. The separation of these functions is regarded as essential. Third, comes the preparation by the office of assessment of a formal roll. This roll is hedged about with all manner of safeguards and is a public document of the very first importance as regards the validity of the taxes and also as regards the property rights affected. Informality invalidates. In some cases an informality so slight as the omission of the dollar mark before the figures has been held to invalidate the assessment. The roll is legal evidence of tax liens. Fourth, there

is a review by local boards and sometimes by other authority as well. The review may be initiated either by the government or by the taxpayer. Fifth, comes the extension on the roll by the properly constituted auditing authority of the taxes due; that is, the multiplication of the assessment by the rate. At the end of this stage the assessment proper is finished. The final and conclusive roll has been written. Doom has been pronounced and sealed. No one can again be placed in jeopardy for that year's taxes. Sixth, the roll so constructed passes to the collector and becomes his warrant for collection. On it he enters for permanent record the taxes paid and those which went delinquent. Seventh, when the collection for a given year is completed, the roll serves its final purpose as the basis of audit and record. It enables the collector to secure his clearance for taxes collected and for taxes delinquent. It serves as the record of tax liens removed and of liens still running.

Steps one to five result in the formal roll, which, save for the necessary reservations as to clerical errors and detected frauds, is final and conclusive as to the taxes assessed for the year. There is normally no such thing as reopening the roll or any entry therein, nor of adding thereto. In passing it may be noted that sufficient time is usually allowed for each of the first five steps to safeguard the interest both of the government and of the taxpayer.

The question may now be asked whether, in the case of the federal income tax, the disregard of logic, the breach of long-respected legal theory, and the non-observance of the teaching of experience have resulted in any serious practical evils? Is it merely a matter of form and of red tape that we are discussing or is it the kind of unseemly haste which proverbially makes waste? We believe that evils have resulted and that there is afforded by the lack of system, uncertainty, and informality a fertile ground in which other evils may spring up. It may be that the evils have not culminated yet in a way to be acutely felt. But now that the war is over and people will be inclined to be more critical of and to resist arbitrary taxes, these evils will be more acute.

We are not attempting here to exhaust the subject, so we may be content with mention of the three chief evils traceable mainly

to the absence of an assessment roll, but partly to the loose methods of assessment which make it hard to write a roll.

1. For the enormous sums collected since 1913 in income taxes (and in excess and war profits taxes) from individuals and corporations, no taxpayer, individual or corporate, save only the very few whose cases have been adjudicated in court, has yet received a final clearance of the tax liability for any one year. Every return, every failure to make a return, whether proper or not, is still open to review. All that the taxpayer has to go on is, at first, the silence and apparent acquiescence of the commissioner, then an inconclusive revisable "notice and demand," and finally (if he has chanced to demand one) a receipted bill for the amount he has paid, but which gives no assurance that it was the right amount. Liens have run against his property and have, presumably, been removed. But the only evidence there is of removal is the receipted tax bill and that is inconclusive evidence. By regulation one's own canceled check is just as good as a receipted tax bill. There is no public record of the removal of the liens. No taxpayer can know when the whim of some officer, the hobby or an expert, the vagaries of an inspector, or a change in the rulings of the commissioner may cause his return or failure to make a return for any year past to be "re-examined" and the tax recomputed. On any day he may receive a curt note reading in substance: "Your income tax for the year———has been recomputed. Pay the collector within ten days $———." We should not be misunderstood to imply that a lien for taxes attaches until there has been an assessment or reassessment. Property transferred is not followed by a lien for income tax unless it is transferred in the interval after "notice and demand" but before payment. The evil is not a blot on titles so much as the inconvenience perpetually impending of a sudden and unexpected demand. It is this uncertainty that is so disconcerting. Nobody knows when or where the lightning may strike, and the thunderstorm lasts five years.

2. The method of inspection, a thing made necessary by the loose procedure and by the absence of a roll, is essentially a post-payment or post-due assessment. It is like a post-audit where pre-audit is indicated. It is, moreover, since it follows a presumptively

fair self-assessment, a spy system, and is undignified and autocratic, especially when applied to a direct tax. The method is essentially the same as is used to run down smugglers and "moonshiners." It is applied alike to the just and the unjust. It has all the evils of the iniquitous "tax inquisitor system" except those which arose from the fact that the inquisitors were paid by commissions. It has the essential wickedness of penalizing the innocent citizen for administrative and legislative neglect. There is a deal of difference between sending out deputy assessors to list the taxpayers before assessment and sending out detectives to catch delinquents after assessment. With the assessor the taxpayer can co-operate; before the inspector he stands on the defensive. It is a method well calculated to cause friction and to engender obstinacy and resistance.

3. Despite the seemingly extraordinary and unusual powers bestowed on the taxing branch of the government, the absence of an assessment roll leaves the government weak at very essential points. Not only do its officers collect money on a very imperfect warrant, largely by the grace and consent of the taxpayers, but these same officers can never get a full and complete clearance of duty done or of taxes honestly collected and duly accounted for. It is quite true that dishonest men cannot be made honest by any machinery of bookkeeping or by tricks and devices of audit. But it is also true that honest men can be tempted to dishonesty, and dishonest men given facility for stealing by loose methods. There is no known method of audit for taxes due and collected as good as that system which centers around the assessment roll in the manner outlined above as used in the property tax. The absence of an assessment roll antecedent to the collection of the income tax makes the misappropriation of public money collected, the collection of "fake" taxes, and the compounding of evasion so easy and so safe as to constitute a severe test of the fiber of honesty in our officials and in our taxpayers. But worse even than the opportunity and incentive to actual crime which the method involves, the present system puts the honest collector and the conscientious inspector where he can never disprove a false charge of malfeasance. Furthermore, since the taxpayer has no roll or

other public proof of assessment to refer to, the suspicion that he has not been properly assessed is ever present.

How we fell into this mess is not at all easy to understand. One would have thought that the general principles involved were too familiar to be forgotten. Yet it seems to have been believed that the federal government is superior to those practical mandates to which the sovereign commonwealths see fit to bow. Historically, there were proper assessment provisions in the Civil War income-tax law. Those broke down, as is well known, because of the imperfections of the civil-service system at the time. While much of the Civil War tax law was copied into the law of 1894, the assessment provisions were not so copied. The law of 1913 followed in turn the omissions of the law of 1894. But that tax was small and the number of taxpayers was not large. There existed at the time the strong and well-organized office of internal revenue, to which it was natural to turn over the new tax. Perhaps it was natural too that this office should follow for this new but direct tax the methods of collecting indirect taxes to which it was accustomed. Then came the war with its need for new revenues—now, right away, in a hurry. Deliberate assessment takes time, and the situation demanded that there be no loss of time.

But possibly more decisive than any other factor affecting our question has been the prevailing desire for secrecy of the returns and of the individual's tax. One's income seems such an intimate matter. This doubtless influenced the method of assessment. Lastly, there was and there still is a widespread but erroneous belief, born of ignorance and inexperience with income taxation, that income is an easy thing to determine.

It should after these years of experience be obvious to all that income is not at all easy to determine and assess. If anything, it is harder to determine the incomes of a million people than it is to determine their properties. Not even the defining of income is easy. Economists have written many volumes about it, and by way of illustration of the difficulties encountered one may cite the fact that Professor Irving Fisher in his big book comes to the conclusion that income as he sees it and defines it would not afford a practical basis for an income tax. The income-tax law itself goes

into many minutiae as to what is taxable income and what is not. The official rulings in interpretation of the law now fill more than a five-foot bookshelf. The courts have decided some points, but not many. One of the most important is now before them, namely, whether increment in property value is income. In face of all this, it is naïvely assumed that every taxpayer can assess his own income with such accuracy that no more formal procedure of assessment is necessary than can be found in so casual an inspection of the return as is now contemplated by the law. There is truly as much room and need for the exercise of sound judgment and wise discretion in the assessment of income for taxation as there is in the assessment of property. All of this points with equal force to the necessity for an assessment roll, without which the best efforts are apt to be inconclusive, if not vain.

There may be reasons which can be advanced in favor of self-assessment to income tax other than the desire for secrecy. But it seems safe to assert that the reason for self-assessment which has the widest appeal is the desire to keep one's affairs from the prying eyes of one's neighbors and of gossips. Possibly the fear from which this desire for secrecy springs may wear away with longer familiarity with the new tax. Some secrecy will have to be sacrificed in any more efficient method of assessment. How much would be sacrificed would depend on the machinery adopted and the number of officials involved. There does not, however, appear to be any large degree of annoying publicity involved in the current method of assessment to property tax.

But the main point here is with the assessment roll. This would necessarily be what the returns are now declared to be, a public record. But it could not be held so screened from the public eye as are the returns now. Some degree of secrecy would be sacrificed. The roll must, to serve its purposes, contain the name of each taxpayer, his taxable income in at least such detail as would show the application of the rates, and finally the amount of tax due. More it need not contain. Since it is a record of taxes assessed and ultimately of taxes paid, it is a record of facts and conclusions only. It need not contain the information on which the conclusions were based and the returns could remain, as

now, confidential between the assessor and the taxpayer. It is not necessary (we do not now raise the question of desirability) that the roll be given any more publicity than such as now actually results in most states from the property tax roll. Those rolls are inspected by taxpayers in connection with review and, when looking up their taxes, by searchers of records and by others properly interested in the liens which the taxes create. It is rare indeed that they are examined by anyone from idle curiosity or for purposes unfriendly to the taxpayer. The amount of usable information which a business rival can glean from them is insignificant. Exactly so would it be with the income tax roll. Whether the publicity involved is likely to prove so annoying as to warrant the continuance of the evils above alluded to is something upon which opinions may differ. It is our opinion that the loss in secrecy would be so trivial as to be negligible.

Unless we wander off into vague philosophical considerations, such as the importance of making civic duties felt, the only reason for self-assessment other than secrecy is the advantage of using the taxpayer's intimate knowledge of his own income. But this applies to the declaration or the return with far more force than to the assessment. It has little bearing on the main question, which is as to the need of an assessment roll, however the assessment may have been made.

Alarm may be felt that the proposed change would cause added expense. We are of the opinion that it would result in a saving. It is always more economical in the long run to be tidy, accurate, and systematic than to be loose and slipshod. Besides, the taxes now lost and the money sure to be embezzled and otherwise misappropriated without a roll will easily pay for the writing of a roll many times over. But even if it did cost the government something, the gain in certainty to the taxpayer is worth infinitely more.

The thesis for which we have been contending is so simple that an appeal to authority seems almost superfluous. Textbook writers legal and financial alike have few words on the subject, for they all take for granted the principle involved, namely, the necessity for certainty. What we have said above is no more than the application to a special case of the famous dictum of Adam

Smith which might have been written with the very same facts before him:

> The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, *ought all to be clear and plain to the contributor, and to every other person*. Where it is otherwise, every person subject to the tax is put more or less in the power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favors the corruption of an order of men who are naturally unpopular, even when they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that *a very considerable degree of inequality*, it appears, I believe, from the evidence of all nations, *is not near so great an evil as a very small degree of uncertainty*.[1]

It may be contended that the foregoing discussion, being confined to the roll, does not go far enough, that more accurate, or, to use an overworked term, more "scientific" assessment is necessary as well, and that boards of review more accessible to the taxpayers than the commissioner, "way off in Washington," are desirable. The contention is cordially accepted. But although it would be not too difficult to outline on paper a model system of assessment to income tax, it may be observed that it is the lesson of history that practical methods of assessment are more likely to grow out of a series of felt necessities than to be successfully invented in the closet of a theoretician. The assessment roll is an obvious immediate necessity; it is the easiest, first step to take.

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NOTE

Friends who kindly read this article in the manuscript have made several suggestions of importance which should be added. Professors Seligman and Haig thought that there are other weaknesses in the administration which might receive attention as well as the one alone covered in the article. They also suggested that there would be a problem arising from our practice of allowing reports on the basis of fiscal

[1] Italics are ours.

years. It is obvious that if the returns do not all come in at the same time the writing of a final and conclusive roll is difficult. It appears to me, though, that this is a matter of technical detail. There is no impossibility in having a roll a part of which closes at one date and another part at another date. It would be better than none at all, or one that never closes. There is a question, however, whether the alleged convenience to the tax-payer of reporting for his own fiscal year is worth the confusion to which it even now gives rise.

The same gentlemen have suggested that a review of the practices of other countries would throw light on the points raised. It no doubt would do so, but I am inclined to think that we must be guided by American practice and principles and that we have ample home experience in this technical matter. The Canadian income-tax law does provide for a roll and for a short period for making the assessment. It also gives the tax-payer a proper hearing and review. The time allowed is none too long and the law is none too clear. But the principle for which my article contends is recognized. Great Britain's tax is largely an assessed tax and it is, moreover, a tax on "property and income" so different in form and administration from ours that there is no parallel. In one respect, however, we could copy after them to advantage. That is in providing the tax-payer with a proper local board before which he can present his grievances and which has the power to afford him immediate relief and reimbursement if he be entitled to it. As the matter now stands in the United States it costs a great deal of money, time, and trouble to get a hearing and an adjustment of an unfair tax.

Professor Millis thinks that too little emphasis was placed on the difficulty of assessing income and the necessity for time in which to do the work properly. Although the matter is mentioned in the foregoing article, he is no doubt right as to its great importance. For making the assessment for the property tax we allow a period varying from three months to seven months. The work of assessing an income tax is more difficult than that of assessing a property tax.

Professor Millis also suggests, and I agree with him, that collection at the source may have had something to do with getting us into this mess. In another article, to appear in the December, 1919, issue of the *American Economic Review*, I have discussed some of the discriminations which arise from the taxation of dividend income at the source.

Although, indeed grateful for these suggestions, I have left the article as it was originally written because I desired to hew as close to one line as possible. The one line is: *Let us have an assessment roll.*

All other matters are illustrative or relate only to the possible form of the roll or methods of assessment. I am satisfied that with three hundred years of experience, and the present practices of fifty-two states and territories to draw upon, we know how to frame the details of a good assessment system. We all know perfectly well what are the methods that are sound and just what perils to avoid. All that is lacking is the will to have an assessment system.

C. C. P.

NOTES

THE CURTAILMENT OF CREDIT

During the month of November an important turning-point in the history of the Federal Reserve System has been reached. On November 4 the Federal Reserve Board announced the adoption of a policy of advancing discount rates, making a statement to that effect which was subsequently published in the *Federal Reserve Bulletin*. Immediately following the issuance of the statement practically all of the Reserve banks advanced their rates ½ of 1 per cent, at the same time abolishing the so-called "differential" or "preferential" rate which has heretofore existed in favor of paper secured by government obligations. In addition to this, steps were taken to eliminate the practice of borrowing at the Federal Reserve bank of New York upon very short-term paper running not more than 15 days. This was brought about by placing the 15-day rate upon an equality with rates for longer periods. It had been found that at the New York bank the great bulk of the borrowing had come to be done at short term because of the more favorable rate for these very brief loans. When longer loans were required renewals would be obtained, but the borrower would secure the advantage of the lower rate for the short-term paper.

These changes, although of relatively limited scope on the surface, had an almost immediate effect. The percentage of reserves to note and deposit liabilities in the Federal Reserve System as a whole reached a low-water mark of a little less than 46 per cent during the week ending November 8, while in the Federal Reserve bank of New York the percentage was below 40. As the legal minimum reserve specified by law is 40 per cent against notes and 35 per cent against deposits, it has been customary to regard 40 per cent for both kinds of liability as in practice the proper minimum of cash reserves. The system therefore was very close to the legal minimum at the time the action of the Federal Reserve Board was taken, and hence the effects of the policy were cumulative.

The announcement was followed by an immediate period of liquidation, coupled with and based upon a call money rate which at times rose as high as 30 per cent, while the shrinkage in stock values was in some cases as much as from 60 to 70 points. The consequence has been a

continuous period of more or less steady liquidation, paralleled by a steady though slow advance in the reserve percentage.

It has been demonstrated fairly conclusively that the evil in the situation lay in the fact that, as the government gradually withdrew from the market as a heavy borrower, the credit thus released was practically transferred to speculative account and so began to furnish the means with which to increase the resources employed in "marking up" stocks and bonds upon the exchanges. It is the view of many that this process of marking up cannot be regarded as confined to the securities markets. The enormously high levels of prices for cotton, grain, and many sorts of commodities are ascribed to the excessive use of bank credit in "carrying" them. This makes the expansion of the loans of banks to which exception has been taken by the Federal Reserve Board a national rather than a local problem and points to the necessity of dealing with it in its various manifestations. This kind and scope of action the policy of the Federal Reserve Board obviously contemplates.

FOREIGN FINANCING

One unexpected effect of the curtailment of credit due to excessive speculative activity which has resulted in shortening the available resources of banks throughout the country has been the discouraging of efforts to finance foreign trade. It has become evident for a good while past that our relations with foreign countries were assuming an extremely critical aspect from the economic point of view. On November 20 the pound sterling was quoted at less than $4.00 in New York, while the quotations of francs, lire, marks, and other European currencies have shown far greater depression.

Although this shrinkage of foreign-exchange values had been in progress for a great while before the adoption of a policy designed to curtail bank loans, the natural reflex effect of the curtailment policy has been that of making evident to foreigners that they can expect but little result from efforts to obtain bank support for their various plans, however meritorious they may be. During the past month efforts at foreign financing have met with the most discouraging reception. The loans floated by the Swiss and Scandinavian governments have been barely successful, while a considerable part of the British loan of $250,000,000 has been taken and carried by the underwriters. A number of foreign financing projects which had been launched before the curtailment policy was inaugurated are having great trouble in attaining any

degree of success, while a number of others which had been in process of development when the collapse of security prices occurred have been for the time being abandoned. Foreign observers who have come to the United States for the purpose of studying the situation are frankly discouraged because of the fact that European countries have apparently reached the limit of their credit in the United States.

On November 17 the Conference Committee on the Edge bill which provides for the establishment of financing corporations authorized to undertake the placing of foreign securities reached an agreement upon what will undoubtedly be the text of the final act save for purely verbal changes. The bill differs in no important respect from the original project, but its terms are such as to require the existence of a considerable amount of public support if the securities to be offered by these new corporations are actually to appeal to the rank and file of investors. As a matter of fact it is the general opinion at the present time that the bill has come rather too late to be of immediate service in capturing the investment funds of the country. Accordingly there is some reaction against government support of foreign credit in order to insure the placing of loans in this country. The outcome undoubtedly is to leave the prospect of financing our foreign trade in an unfortunate position because of the consumption of so much of our spare supply of credit in the ways already indicated.

Following the recommendation of the Committee on Credit and Finance of the recent International Trade Conference at Atlantic City, the Chamber of Commerce of the United States announced on November 23 the formation of a National Committee on European Finance, to study plans for meeting the exchange situation and supplying the necessary long-time credit for Europe's purchases. The chairman of the new body is Harry A. Wheeler, Vice-President of the Union Trust Company, of Chicago.

RAILWAY LEGISLATION

The House of Representatives on November 17 passed the Esch bill providing for the re-transfer of the railroads back to their owners and for the establishment of the financial relationships between the roads and the government upon a more stable basis. Meanwhile comparatively little progress has been made with the Cummins bill in the Senate. The two bills aim at somewhat similar results, although they differ materially between themselves in matters of technique and detail.

In general, what is sought is to regulate the return to be obtained upon railroad capital and to insure the maintenance of a schedule of rates adequate to that end. In the Cummins bill provision is made for a "transportation board," whose function it should be to bring about a reorganization of the roads into a small number of "systems." This plan is not recognized by the Esch bill, which is in a great many respects simpler than its rival. Both bills practically re-establish the power of the Interstate Commerce Commission upon the pre-war basis, although with what amounts to instruction to it to insure a reasonable return to railroad capital legitimately invested. Both obviously depend upon the results of the physical valuation of the roads which has been in progress for some years past as affording a guide to the regulation of railroad rates by fixing the basis upon which the stated rate of return is to be computed.

It is now believed likely that provision will merely be made for the return of the roads to their owners at the end of the year with perhaps a continuation of government support of their revenues for some months to come. This would give Congress a longer period for the discussion of the railroad question in its broader aspects and would permit the more careful working out of the provisions relating to the rate-making power of the Interstate Commerce Commission, as well as those bearing upon the future international status of the roads. Both bills now pending before the Houses of Congress have been subjected to severe criticism, and neither one of them is believed likely to solve the various questions which have arisen during the period of government operation. One factor which has received particular attention since these bills were presented is the money-market situation of the roads. It is recognized today that with rising rates for capital adequate provision must be made for inducing capital to go into railroad investments, unless a continuous shortage of such capital is expected. Good railroad opinion seems to hold that the proposed rate of 5½ to 6 per cent contemplated by the bills now in Congress as a standard of normal return would be inadequate to induce capital to go into the business of transportation.

THE ECONOMIC SIDE OF THE PEACE TREATY

The action of the Senate in rejecting on November 18 the proposed treaty of peace with Germany has some important economic aspects which have been largely neglected in the current discussion of the document and of the policy to be accepted under it. Now that ratification has been decided against, or at least postponed for some time, and now that the other countries which were parties to the negotiations have apparently determined to put the document into operation, the effect of what has been done or left undone by and in behalf of the United States becomes an acute question.

Apart from the effect likely to be produced upon the volume and conditions of our trade by the application of the terms of the treaty through the "Reparation Commission," to be constituted under it, there are several significant elements in the situation caused by the Senate's action. Among these may be enumerated the following:

1. The authority conveyed to us under the Treaty to call into renewed existence any of the commercial treaties or arrangements which existed between ourselves and Germany prior to the war.

2. The validation of our action in seizing German merchant ships interned in our harbors, and in seizing, through the Alien Property Custodian, the property of German citizens in the United States.

3. The recognition of our right to permit American citizens to use German-owned patents, trade-marks, and other like properties during the continuance of the war.

4. The undertaking by Germany not to subject our goods or ships to any unfavorable or discriminating conditions when entering German ports. All these as well as other rights established under the treaty are either abandoned or held in abeyance. As a result of the situation the disposition of our bankers to finance and of our producers to trade with Germany has received a severe blow. Meanwhile the decision of the other countries to proceed as of December 1 with the application of the terms of the treaty necessarily gives them an advantage, for the time being at least, in the re-establishment of trade relations with Germany. We may be able to secure to ourselves by later negotiation the same advantages which are specified in the treaty, but success in so doing will, at all events, require negotiations of considerable length.

Meanwhile the conditions under which the indemnity shall be paid, the exchange situation as affecting Germany be settled, the investment of capital and the financing of trade relations with that country be carried

on, and the adjustment of outstanding bills and accounts, will proceed toward determination and application at the hands of a Commission in which the United States will not be represented. This opens an important administrative and diplomatic question respecting the proper mode of procedure to be adopted in protecting our national interests pending the establishment of some permanent *modus vivendi* with Germany and with our associates in the war against that country.

BOOK REVIEWS AND NOTICES

The Traffic Field. LaSalle Extension University, 1919. xv+299 pages.

This volume, which is prepared under the editorial supervision of Samuel MacClintock, is a recent addition to the lengthy list of textbooks dealing with transportation problems which LaSalle Extension University has published. The title *Traffic Field* suggests that the work is intended as a survey of the problems connected with traffic management. It is the work of five different men, each of whom has prepared one of the five parts into which the volume is divided. Part I, dealing with "Industrial Traffic Department," was prepared by Mr. J. W. Cobey, traffic manager of the National Cash Register Company, Part II deals with "Associated Traffic Management," Part III with "Community Traffic Management," Part IV with "Public Utility Commission Work" in the traffic field, and Part V with "Railway Traffic Management."

By far the larger portion of the book deals with industrial traffic management. The section dealing with this subject includes about three-fourths of the material, and the remaining four topics are hastily surveyed in some seventy-five pages. It is therefore evident that the text is designed mainly to be of service to the industrial traffic manager, although it aims at the same time to give him some insight into the problems of traffic men in other fields. The last part, which treats of railway traffic management, will hardly be satisfactory to anyone working in that field, but the author has probably not intended it for such readers.

It is mainly in the first part that the student of traffic problems will look for material. The author quickly discards the view, all too common perhaps, that the traffic manager of today needs to have a superficial knowledge of freight rates and packing requirements and possess the ability to audit freight bills with some exactitude. While knowledge of railroad conditions such as an ex-railroad man might possess is desirable, yet in the author's view it is not decisive. Indeed, the ex-railroad man might not prove to be a satisfactory traffic manager for an industrial concern because of his railroad bias. Perhaps the author's view of the function of the traffic manager is best found in this statement: "Until it is appreciated that the traffic manager must not only know how to

pack and route shipments, file claims, and trace shipments, but must also be of assistance to the selling department, to the credit department, to the advertising department, to the purchasing department—in fact to all other departments of a well-organized concern—his real place has not been comprehended." From this view it would be difficult to dissent.

Having established his point of view, the author devotes the remainder of his discussion to the problems of organizing the department, layout of the office, use of office appliances in connection with traffic work, duties of various subordinates, and office routine. Chapters are also given to the use of graphs, charts, and maps, local transportation by truck, and foreign shipping requirements.

Although the writer assumes a broad point of view regarding the work of the traffic expert, it must be confessed that he has not developed it thoroughly in the course of his discussion. In the main it deals with the routine of traffic management. Accepting the view that the traffic manager must be of assistance to selling and other departments, it would seem desirable that more attention should be given to the problems of those departments in the solution of which the traffic manager can be of assistance. One reads the book with the feeling that this problem has merely been stated, and not solved.

Nevertheless, it is believed that the volume will be of interest to those who desire a general survey of the traffic field, who desire to know what is standard practice in traffic management, and who desire suggestions for organization of office routine.

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The Journeymen Tailors' Union of America, A Study in Trade Union Policy. By CHARLES JACOB STOWELL, PH.D. Urbana, Ill. (University of Illinois Studies in the Social Sciences.) 1918. Pp. x+125+x.

This is a doctor's dissertation submitted to the economics faculty of the University of Illinois. The first chapter recites that the union was organized in 1883, that it reached its maximum membership in 1904 when it had 16,000 members, that it declined in membership to 13,000 in 1909, and that it has since stood still. The second chapter discusses trade-union demands and practices. Most of those mentioned are not peculiar to the tailors alone, and could as well have been omitted or at best summarized. One point is worth while, however, and that is the

demand for free shops. This is more than simply a controversy with employers; it is an internal problem as well. Many of the tailors are still working in their own homes, where with the aid of a helper or two they "sweat" themselves for a living. For many years the national union tried to abolish this kind of work, but without avail. Not only the employers stood in opposition, but the workers themselves opposed the change. They apparently prefer to work in their own homes, where they can work all hours of the day, get the help of their wives and children or outside helpers, and take work from several merchants. In this way they really become sweat-shop bosses. As sweat-shop bosses their attitude toward helpers is very much like that of the employers. This is illustrated by material presented in chapter iii. For many years the national organization imposed a limit on the number of helpers a journeyman might employ, but the rank and file consistently disregarded the limitation. Finally the limitation was removed.

The most interesting and probably the most controversial part of the study is chapter iv, on "Problems of Jurisdiction and the Movement towards Industrial Unionism." Men's clothing is made principally in three ways: custom order, special order, and ready made. The difference lies in the extent of the division of labor. Six to eight men will make a custom-order coat; fifty or more will make a ready-made one. Between these two extremes lies the special-order-made coat, but approximating the ready-made rather than the custom-order-made. The custom tailors union never claimed jurisdiction over the ready-made workers; indeed in 1891 they voted to exclude them. It was at this time that the ready-made workers organized the United Garment Workers of America. The case of the special-order workers is not so clear. Although the special-order suit is made on a factory basis, yet it is made to order. For twelve years, every two years beginning in 1897, the tailors voted on the question of admitting these workers. In the first referendum they voted to do so; in the next four they voted not to. But by 1909 the special-order trade had grown to such size that they became alarmed at its spread and voted to claim jurisdiction over its workers. But now it was too late; the United Garment Workers had already claimed them.

Mr. Stowell concludes that if the tailors had admitted the men in question into their own ranks the special-order trade "would not have been as cheap as at present," and to the extent that their trade declined they "would have been enabled, on account of the improved conditions in the cheaper trade, to obtain work there at living wages" (p. 128).

It is questionable whether the custom tailor, working in his own home or the back shop of the merchant, could have exercised any influence on the special-order suit, which is made in a factory very much as the ready-made suit is. The meat cutters, working in the butcher shops scattered all over the country, have never been in a position to improve the lot of the packing-house employees, in spite of the fact that both are members of the same union. Moreover, Mr. Stowell has still been misled by the popular eulogy on the small shop, skilled mechanic, etc., and has not taken account of the transition that has been going on in the clothing industry during the last five or ten years. The leadership as to wages, hours, and conditions of labor has within recent years passed to the "cheap" clothing makers.

Mr. Stowell closes his study with a wholly gratuitous discussion of the marginal utility of suits made in the different ways indicated above.

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Social Purpose. By H. J. W. HETHERINGTON, M.A., and J. H. MUIRHEAD, LL.D. London: George Allen & Unwin, Ltd. New York: The Macmillan Company, 1918. Pp. 314. $3.50.

Outlines of Social Philosophy. By J. S. MACKENZIE. Published as above. Pp. 280. $2.00.

It is gratifying that the increased interest in social questions stimulated by the war has shown itself in some re-examinations of fundamentals, as well as in a flood of discussions of special problems. The two books before us are general expositions of social philosophy according to the conceptions of the idealistic or "neo-Hegelian" school of thought. Professor Mackenzie's work, intended as an introductory textbook, is less thoroughgoing and logically rigorous in its treatment of the subject than the volume by Professors Hetherington and Muirhead, but is more "human" and readable in style. Both expound the same doctrine and follow the same general plan. Each begins with a group of chapters devoted to the philosophical foundations of society and proceeds in succeeding chapters to apply the principles deduced to the problems of social institutions, the state, world-relations, and "religion."

The "fundamental principles" of the familiar neo-Hegelian social theory represent a development of Aristotle's dictum that man is by nature a social animal. The individual is an abstraction; man cannot exist apart from society. Social authority and obligation rest on the

fact that society is a *sine qua non* of the existence of human qualities, thought, will, and spiritual life. The view was popularized in England by T. H. Green and a school of successors, among whom the authors of these books are prominent. It is in part a reaction against the extreme individualism which has characterized the main line of English thought from Hobbes to Herbert Spencer, and whose dominance was closely connected with the fact that England was the native home of political economy and, back of that, of the modern industrial system. As a reaction to another extreme position, this "societism," as it may be called, is as useful as it is theoretically important. On the other hand, its own dangers and weaknesses are manifest. The doctrine that the common good is somehow distinct from the welfare of individuals, that society is more than a means for realizing individual values, leads easily to a type of nationalism for which humanity needs a cure right now quite as urgently as can be said of its individualistic bias.

The most unsatisfactory feature of discussions of this character is their tendency to vagueness, to dealing in generalities about which there is no very real issue, and corresponding failure to come to earth in the form of working principles. Of course there must be states, in some sense; but on what principles are they to be carved out, and what sorts of authority and how much should the majority of the people living in a certain area have over the minority? Of course there must be families; but what are the alternative possibilities here, and their respective merits? Some kind and extent of proprietary rights are inevitable; but what kinds are best? Contracts must be enforced, undoubtedly, but not all contracts; which ones, and in what ways? Such are the real questions. They cannot, to be sure, be answered by formulas, but such discussions as those under review do not by any means go as far as it is easily possible to go in making clear the nature of the alternatives open and the principles upon which choice among them actually depends.

Both books devote considerable space to economic institutions and needless to say show familiarity with the best economic thought. Yet both conceive the sphere of economic activity in a narrow and antiquated fashion. Subsistence wants, literally interpreted, certainly do not account for one-fourth, and probably not one-tenth, of the economic activity of any civilized people today. Professor Patrick Geddes, who is referred to in a quite complimentary way by one of the writers, has dealt adequately with this idea in a brilliant lecture on Ruskin. And Professor Mackenzie, in an enumeration of the "chief defects" in the working of demand and supply (p. 162), fails to mention the worst and most obvious

of all, the dependence of demand upon the existing distribution of income.

In spite of all criticisms or differences, these are interesting and very valuable works. The literary and especially what we may call the moral tone is of the highest, and the discussion is intellectually stimulating as well as informative. Extensive references and good indexes greatly enhance the value of both books to students. And (which is not to be despised) both are excellent pieces of book-making in the mechanical sense. We protest, however, against this brief and elementary "Outline" by Professor Mackenzie taking the place, as he suggests, of his earlier "Introduction," now out of print.

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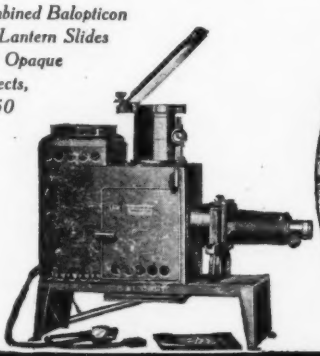

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